FINANCIAL NEWS

International King's net down

EUGENE, Ore.—International King's Table, a 51-unit buffet cafeteria chain, posted $10,000 in profits for the first quarter ended Sept. 19, compared to $158,000 in the year-ago period.

Restaurant sales were up 13%, to $7.8 million. Total revenues rose 8%, to $7.9 million.

Higher income was reported in the year-ago period, the company said, due to a one-time $351,000 gain on the sale of property.

The company has reported losses for fiscal years 1981 and 1980. The current second quarter, the company indicated, would be particularly difficult and no promises of profitability were made.

During the quarter five more restaurants were converted, bringing the number to 20, to units offering carved roast beef and ham at dinner with self-service centers for coffee, soft drinks and ice cream sundaes. Further conversions are planned.

Also during the quarter, the company said, the firm's bank debt was reduced from $7 million to $5.3 million.

Resorts Int'l posts loss

MIAMI—Resorts International Inc. has reported a net loss of $10 million for the third quarter ended Sept. 27 and a net loss of $2.5 million for the first nine months of the year due to investment losses totaling $27 million in the last three months.

The big loss incurred by the company, which owns and operates Resorts International hotel-casino in Atlantic City, N.J., as well as other properties, came as a result of sharp declines in Treasury bond futures contracts held by the company.

The $27 million investments losses offset the earnings from operations of $17 million reported by the company in the third quarter. The quarterly loss is the company's first since it opened its hotel-casino in Atlantic City on May 26, 1978.

The firm, according to a spokesman, expects to continue to hold bond contracts in hopes of long-term profits. He said Resorts' board is confident that interest rates will decline.

Profits rise at Luby's

SAN ANTONIO—Luby's Cafeterias Inc., a 60-unit cafeteria chain in the Southwest, reported profits increased by 22%, to $9.7 million, on a 20% increase in revenues, to $110 million, for the fiscal year ended Aug. 31.

For the fourth quarter, three months ended Aug. 31, the company reported profits increased 17%, to $2.8 million, on a 24% revenues increase, to $30.5 million, over the year-ago period.

The corporate name of the firm was changed from Cafeterias Inc. to Luby's early this year.

Picadilly posts 16% net gain

BATON ROUGE, La.—Picadilly Cafeterias, an 80-unit chain, reported profits rose 16% to $2 million, on a sales gain of 13% to $34.7 million, for the first quarter ended Sept. 30.

A new unit was opened in Chesapeake, Va., after the end of the quarter, and several others are planned for this fiscal year.

Hungry Tiger net climbs 20%

LOS ANGELES—Hungry Tiger, operator of 13 units, has reported its fifth consecutive year of earnings and income gains with a 20% increase in net income to $1,616,000 over last year's figures for the year ended Aug. 28, 1981.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two weeks ended Oct. 23							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd. Rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.88	6.63	6.88	.38	5.77	10.63	5.38	.42	.04	-.88	35.27	.34	.02 N	5.8	14.0	5.8	19.1	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	14.75	13.00	13.88	.50	3.74	21.88	10.00	.12	-.65	-2.13	12.40	1.67	.40 F	31.4	73.0	6.3	8.3	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.00	24.50	24.75	-2.00	-7.48	37.25	24.50	-.62	-.71	2.87	20.05	5.33	-.36 N	-6.8	7.0	2.3	5.1	2.00	8.1	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.38	5.13	5.13	-.25	-4.65	8.63	4.38	-.76	-.18	-2.45	-2.80	.80	-.37 N	-36.6	-2.0	3.3	8.0	.12	2.3	06-02-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.25	3.13	3.25	.13	4.00	4.88	1.63	-.08	.76	-.15	50.00	.47	.14 S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	21.75	20.00	20.00	-2.25	-10.11	22.69	15.19	.14	-.76	.28	22.20	1.35	.29 S	26.1	33.0	9.1	14.3	.40	2.0	09-21-81	125.2	11.4	1.7	.0	5	0480
Bonanza Intl Inc	BNZA	2.13	2.00	2.00	-.13	-5.88	6.88	2.00	-.47	-1.64	-1.38	-1.64	.24	-.43 S	-286.6	-16.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel	BHCO	12.00	10.13	11.63	1.50	14.81	13.16	6.00	-.06	-.79	3.96	5.41	.44	.04 N	9.5	27.0	4.2	25.3	.08	.7	08-11-81	104.3	4.4	1.0	8.5	3	1280
Calny Food	CLNY	12.00	11.50	11.75	-.75	-6.00	15.50	8.50	-.18	.26	3.43	21.88	1.35	-.29 Q	-17.1	8.0	2.2	8.4	.20	1.7	07-01-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	6.38	5.75	6.00	-.50	-7.69	12.88	4.38	.83	.16	-2.74	3.57	.95	.49 Q	75.3	34.0	2.4	5.3	.07	1.2	11-17-80	75.6	1.8	.7	11.1	5	0581
Chart House	CHHO	19.38	18.38	18.50	-.88	-4.52	22.88	10.06	.69	-.38	-.66	-27.26	1.75	.26 S	16.0	12.0	4.9	9.8	.52	2.8	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	18.75	18.00	18.50	-.13	-.67	27.25	11.94	.11	.69	-3.29	-22.35	.46	.34 Q	161.9	35.0	12.9	33.6	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.00	10.63	12.13	.88	7.78	13.00	5.88	.40	3.22	2.77	35.20	.66	-.03 F	-4.3	8.0	2.7	18.4	.40	3.3	06-24-81	118.8	3.3	2.5	1.1	5	0780
Churchs Fr Ch	CHU	28.88	25.50	26.00	-2.63	-9.17	37.38	23.25	-.44	-.14	-1.06	9.76	3.01	.55 N	18.7	24.0	9.9	7.5	.84	3.2	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	2.75	2.50	2.63	-.13	-4.55	4.63	1.50	-.62	1.34	-.01	-9.62	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	15.88	15.00	15.75	.25	1.61	19.88	9.50	.14	.46	3.00	-29.93	2.08	.31 Q	15.1	10.0	2.8	6.7	.32	2.0	06-24-81	265.2	7.5	1.4	14.2	17	0481
Dennys Inc	DEN	30.00	27.50	29.50	1.75	6.31	31.75	17.13	.59	.85	.46	-9.32	2.96	1.03 F	53.3	6.0	3.2	10.0	.88	3.0	09-03-81	708.8	17.0	1.1	27.6	17	0680
Dunkin Donuts	DUNK	14.00	13.00	13.00	-.13	-.95	18.25	9.34	.09	-.19	-.63	10.77	1.53	.35 N	24.6	21.0	8.2	7.3	.30	2.3	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.00	6.50	7.25	.75	11.54	8.50	4.75	.15	1.21	7.84	-16.93	1.45	.71 Q	66.9	13.0	3.0	4.1	.38	5.2	09-29-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	15.63	9.00	12.50	-1.25	-9.09	15.63	6.75	2.33	8.83	8.51	-5.31	1.67	1.40 S	NE	1.0	1.4	13.6	.44	3.5	08-13-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.75	6.75	.00	.00	9.00	6.25	-.10	.05	-16.49	.00	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.75	2.75	.00	.00	11.75	2.75	-.63	-.86	-3.37	-22.58	.44	-.20 N	-34.4	-10.0	8.6	7.2	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	39.25	34.50	38.13	3.38	9.71	52.25	33.25	-.22	1.74	-2.07	9.91	4.00	.21 N	5.3	35.0	20.3	9.3	1.60	4.2	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	26.50	24.00	26.00	1.13	4.52	33.25	21.13	.20	.89	-.04	-3.23	2.92	.52 S	20.1	27.0	7.1	8.4	.74	2.8	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	37.00	37.00	37.00	.00	.00	48.75	32.25	-.07	.07	-3.15	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	9.88	8.63	9.63	.63	6.94	22.38	8.00	-.01	1.69	-3.87	-.25	.96	.00 S	.0	41.0	3.1	9.7	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	14.88	13.00	14.75	1.75	13.46	24.25	12.00	.00	1.65	5.17	7.83	2.74	-2.02 N	-66.6	3.0	3.9	14.6	.60	4.1	09-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	6.75	6.75	-.25	-3.57	9.38	5.25	-.34	-1.73	-3.75	-9.78	.92	.13 F	16.4	64.0	3.2	7.3	.00	.0	08-24-81	39.1	1.3	.9	6.0	3	0880
Imperial Grp	IMT	1.25	1.06	1.19	.06	5.56	2.00	1.06	-.24	-1.06	2.04	33.02	.62	-.15 S	-21.1	28.0	2.1	2.1	.16	13.5	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	12.50	12.00	12.50	.25	2.04	13.25	7.50	-.15	.65	5.16	32.41	1.34	.30 N	22.7	51.0	6.1	7.7	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.00	1.88	1.88	-.13	-6.25	3.38	1.75	-.72	-1.75	4.29	-1.67	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.13	2.88	2.88	-.25	-8.00	4.50	2.63	-.46	-1.25	1.80	28.41	.35	.54 N	NC	-2.0	2.0	5.3	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.50	19.63	20.00	-1.75	-8.05	27.63	13.50	-.15	.26	-3.40	15.89	1.70	.39 F	29.7	15.0	5.6	11.8	.12	.6	08-18-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.38	4.00	4.13	.00	.00	4.38	3.25	.40	-1.19	-3.39	66.67	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.00	13.00	14.75	1.75	13.46	16.25	10.75	.90	2.14	3.31	14.50	.58	.67 Q	NC	159.0	5.9	22.0	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	5.25	1.75	2.50	-2.75	-52.38	9.00	1.75	-2.05	-2.28	7.44	4.91	-.60	-.60 Q	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.50	26.00	27.50	1.25	4.76	28.19	17.00	.14	1.40	-2.75	36.96	1.45	.27 F	22.8	24.0	8.9	19.0	.48	1.7	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.63	5.25	5.63	.38	7.14	7.28	5.00	-.16	1.17	-4.11	16.67	1.15	.08 F	7.4	9.0	5.8	4.9	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	34.88	33.63	34.25	.13	.37	47.00	27.88	.02	.13	3.71	18.10	2.60	.59 N	23.9	28.0	4.2	11.2	.24	.7	09-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	70.00	63.63	65.88	.63	.96	70.25	43.38	.38	-.82	-1.08	-13.26	5.49	.99 S	19.5	19.0	10.1	10.9	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.50	8.88	9.38	.63	7.14	13.88	8.25	.00	-.03	-1.87	-14.57	.95	-.04 Q	-4.0	6.0	3.9	9.9	.32	3.4	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	3.13	2.75	2.75	-.38	-12.00	4.75	2.25	.71	-.86	-1.39	-45.65	.19	-.65 S	-91.5	27.0	.5	45.8	.02	.7	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.06	.88	1.00	.13	14.29	2.38	.88	.05	-1.81	-5.70	-23.21	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.50	9.00	9.00	-.50	-5.26	12.25	9.00	-.53	.03	-7.97	.00	1.28	-.16 F	-11.1	19.0	1.0	7.0	.32	3.6	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	8.75	8.00	8.25	.00	.00	9.25	5.00	.28	-1.14	1.69	-26.81	1.05	.55 F	110.0	23.0	5.2	7.9	.15	1.8	08-20-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.00	14.75	.50	3.51	19.00	11.88	-.54	.51	-2.21	-8.21	1.30	.25 F	23.8	13.0	6.1	11.3	.48	3.3	09-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.88	6.75	7.00	-.75	-9.68	11.50	3.68	.04	.04	1.63	-64.01	.59	.08 S	15.3	-3.0	1.4	11.7	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	15.25	13.88	14.63	-.13	-.85	19.75	9.88	.17	.60	-.56	-20.95	.60	-.25 S	-17.0	1.0	.8	12.0	.40	2.7	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.38	5.88	6.13	-.13	-2.00	12.50	5.25	-.09	.56	-2.99	16.77	.53	.36 S	112.5	26.0	4.1	9.0	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.13	4.75	5.13	.13	2.50	8.25	3.13	.16	1.05	-2.46	54.17	.64	.49 S	84.4	28.0	1.6	4.8	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.38	18.38	18.75	-.13	-.66	23.75	7.25	.29	.08	2.56	-24.41	2.36	1.05 Q	68.6	15.0	1.4	7.3	.44	2.3	08-17-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	3.50	2.50	2.50	-1.00	-28.57	6.75	2.50	-.84	-5.79	1.85	43.17	-1.05	3.88 S	NE	-61.0	-2.4	NE	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Shoneys Inc	SHON	13.63	13.13	13.63	.50	3.81	14.16	9.66	.16	.46	3.86	24.07	.83	.16 N	19.7	20.0	5.6	14.0	.16	1.2	10-13-81	210.6	11.8	1.0	1.2	4	1080
Sonesta Hotel	SNSTZ	10.25	10.00	10.25	.00	.00	15.00	7.66	-.01	.06	-.18	-77.78	2.24	1.56 S	127.8	101.0	3.6	3.7	.16	1.6	07-07-81	137.2	5.0	1.0	19.1	9	1280
Steak n Shake	STAK	3.00	2.75	2.88	-.25	-8.00	3.25	1.44	.66	1.08	3.72	27.93	-.03	1.10 N	NE	-28.0	-.2	12.0	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	5.88	5.00	5.13	-.25	-4.65	7.63	4.25	.33	.30	-3.76	-60.00	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.88	7.25	8.13	.88	12.07	11.25	5.88	.61	.11	4.90	-10.76	-1.85	.72 S	NE	-37.0	-4.3	NE	00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.88	7.50	7.75	.13	1.64	8.88	4.63	-.08	1.13	-2.29	.51	-.05	.43 N	NC	-2.0	-.2	18.0	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.13	14.75	15.50	.38	2.48	19.38	8.59	.53	.97	-2.31	-21.62	1.34	.30 S	26.3	31.0	8.7	10.8	.28	1.8	08-10-81	347.0	30.1	.5	1.9	6	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

PepsiCo sales up for fast-food units

PURCHASE, N.Y.—PepsiCo reported restaurant operations—comprising Taco Bell and Pizza Hut—operating profits rose 39% for the third quarter ended Sept. 5.

Sales in the company's restaurant operations rose 22% in the quarter and volume, after adjustments for menu price increases, rose an average of 4% per restaurant compared to the same period in 1980.

The corporation as a whole had third-quarter earnings of $102.8 million up 16% from $88.5 million a year ago. Sales rose 15% to $1.7 billion from $1.5 billion. For the first nine months of 1981, the company said earnings rose 15% to $245.2 million from $213.6 million. Sales rose 19% to $4.9 billion from $4.1 billion.

PepsiCo said operating profit rose 13% in the quarter and net income increased by a greater percentage because of reduction in interest costs and taxes. Foreign exchange gains narrowed from $4.2 million a year ago to $2.1 million in the current quarter.

Chi-Chi's licensee net climbs

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., a Chi-Chi's licensee based here, reported net earnings for the second quarter ended Sept. 27 rose 120% to $383,230 from $174,566 a year earlier.

Sales for the quarter were up 32% to $4 million from $3.1 million a year ago.

Net earnings for the first half of the fiscal year increased 84.9% to $675,434 from $365,343. Total revenues for the same period rose 32.1% to $7.6 million from $5.8 million a year earlier.

Arthur M. Kelly, chairman, said the company has reached an agreement to acquire the Colorado Springs franchise territory, giving the company exclusive franchise rights in California.

"Our seventh and eighth restaurants are under construction in Independence, Mo., and Lawton, Okla.," Kelly said, adding that the projected opening dates are December 1981 and February 1982, respectively.

Kelly Johnston Enterprises currently operates six restaurants located in Oklahoma City, Tulsa and Midwest City, Okla., and Wichita and Overland Park, Kan. The company has exclusive licensee rights in Arkansas, Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma and Wyoming.

Marriott's earnings rise 11.5%

WASHINGTON—Marriott Corp., the hotel company which also operates Big Boy and Roy Rogers restaurants, said net income rose 11.5% to $28.2 million for the third-fiscal quarter, ended Sept. 11.

Sales increased 15.3% to $503.4 million.

"We believe our businesses performed very well given the obvious adverse conditions that affected their environment during the quarter," said J. W. Marriott, the company's president. "These handicaps included a continued soft overall economy, the air traffic controllers' strike and reduced air traffic and hotel demand prior to the strike."

First qtr. soars 110% at Saga

MENLO PARK, Calif.—Saga Corporation reported a 110% net profit rise to $2.1 million for its first quarter ended Sept. 26, compared with the same period last year. Sales were up 12% to $193.6 million.

Charles A. Lynch, president and ceo, said these results were due in large measure to management's continuing efforts to improve profitability by controlling costs, pricing effectively and reducing asset requirements. Moderate food cost increases and lower net interest expense also continued to favorably impact results, he said.

Saga owns and operates three restaurant chains—Stuart Andersons Black Angus/Cattle Company, Velvet Turtle and Straw Hat Pizza and provides food service to colleges, businesses and hospitals through its contract feeding divisions.

Church's reports net jumps 9%

SAN ANTONIO—Church's Fried Chicken, a 1,324-unit chain, posted a 36% net profit gain to $10.5 million on a 9% revenues increase to $103 million, for the third quarter ended Sept. 6, compared with the same period last year.

For the 36-week period, profits rose 25% to $30 million, and revenues climbed 12% to $293 million.

Third-quarter profits were aided by lower chicken prices, compared to a year ago. The price per pound in the third quarter was about 48¢, compared to 51¢ last year, the company reported.

Also during the quarter, 11 new company stores were opened. Among franchisees, 13 stores were opened and two were closed. Systemwide, the number of units rose to 1,324 from 1,228 a year earlier.

Marcus posts 6% increase

MILWAUKEE—The Marcus Corporation, operators of the Pfister Hotel and Tower, the Marc Plaza Hotel and the Sheraton Mayfair Inn as well as 110 restaurants, reported a 6% increase in net income over last year's figures to $2,282,000 for the first quarter of fiscal 1982, ended Aug. 20.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Denny's Inc.	3 mos.	9/25			$241.251	16	$10.704	41
Frisch's Rest.	16 wks.	9/20			33.525	6	1.301	93
Host Int'l	9 mos.	9/30	$300.257	13			2.262	– 79
	3 mos.	9/30	106.585	11			0.783	– 82
Kelly-Johnston	26 wks.	9/27			7.664	32	2.675	85
	13 wks.	9/27			4.155	33	0.384	119
Luby's	1 yr.	8/31			110.165	20	9.787	22
	3 mos.	8/31			30.552	24	2.763	17
Saga	3 mos.	9/26			193.572	12	2.092	115
Sandwich Chef	3 mos.	9/26	3.938	22			0.192	22

Source: Company earnings reports

—Loss in current period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Report: Conserve energy

WASHINGTON—The United States "is almost totally unprepared to deal with disruptions in oil imports" such as the 1973 OPEC embargo or the 1979 Iranian oil shortfall which sent food-service industry sales and profits plunging, the General Accounting Office warned Congress.

In a massive, two-volume report sharply critical of Reagan Administration reluctance to develop emergency standby fuel conservation initiatives, G.A.O. officials maintained that unless a "menu" of energy-saving contingency plans are developed now, the next oil import crisis could threaten both the United States economy and national security.

Gas Rationing rejected

Significantly, G.A.O. did not recommend implementation of Federal gasoline rationing—the one energy conservation mechanism most vigorously opposed by restaurant industry leaders.

But the Congressional "watchdog" agency did call for a number of other emergency stand-by conservation approaches which have drawn heated criticism from the food-service field, including nationwide building temperature restrictions, and a "compressed workweek" which would require restaurants and other businesses to close down entirely at least one extra day each week.

Energy Laws Modified

Restaurant industry concern over the impact of such radical energy conservation measures has eased considerably in the past nine months due to the Reagan Administration's abrupt break with Carter energy policies.

As one of his first official acts in office, President Reagan promptly revoked the emergency building temperature requirements which had been in force since mid-1979. At the same time, the new Administration also withdrew a series of emergency Federal standby conservation plans (including a "compressed workweek" requirement and harsh new limits on gasoline sales) which had been scheduled to take effect during future emergencies in states without effective fuel-saving plans of their own.

Moreover, at the request of the Administration, Congress allowed the President's existing gasoline rationing authority to expire on Sept. 30.

Although food-service industry lobbyists at the National Restaurant Association and other groups supported Reagan's move away from Federal fuel conservation initiatives, G.A.O. officials contend that the current lack of emergency energy planning has left the industry and the nation vulnerable.

Oil Crisis Possible

In warning Congress not to become complacent because current oil supplies are abundant, G.A.O. maintained that "the world oil market is inherently unstable" and a crisis could develop at any time.

The present "slack market is similar to the one prevailing in the years preceding the Iranian oil shortfall of 1979," G.A.O. said. "The United States ignored the underlying instability of the Middle East then and paid for it dearly as prices doubled in 1979 and 1980."

Emergency Fuel Measures

As the first step in developing what it called a "menu" of emergency fuel conservation initiatives, G.A.O. urged Congress to amend the 1979 Emergency Energy Conservation Act to require states to have mandatory gas saving programs "designed, developed, and on-the-shelf ready for implementation on a standby basis."

Under the present law, states are not required to submit such standby plans for Federal review until after oil supply disruptions reach crisis proportions. So far, according to G.A.O., only three states have prepared these local contingency plans.

In addition, the agency maintained that the Federal Government should have its own set of emergency conservation initiatives ready to implement during a crisis in states which lack such local programs.

At present, the only such Federal emergency initiatives still under consideration by the Reagan Administration are minimum automobile fuel purchase requirements and a national "public information" program to discourage unnecessary driving during a gasoline crisis. What's more, according to G.A.O., because of red tape requirements it would take the Federal Government at least 165 days to begin implementing.

After sifting through nearly 400 possible Federal emergency energy conservation actions, G.A.O. urged Congress to authorize an eight-step Federal standby plan starting with limits on gasoline purchases and progressing toward more drastic measures, such as forced business closings, if necessary.

Under the G.A.O. plan, the Federal Government would respond to a major disruption in foreign oil supplies by asking restaurants and other commercial businesses to reduce electricity, oil and gasoline use on a voluntary basis.

Government Restrictions

Industrial energy users, homeowners, airlines and motorists would also be asked to meet similar conservation targets. If the initial voluntary effort proved to be insufficient, these restrictions would be made mandatory.

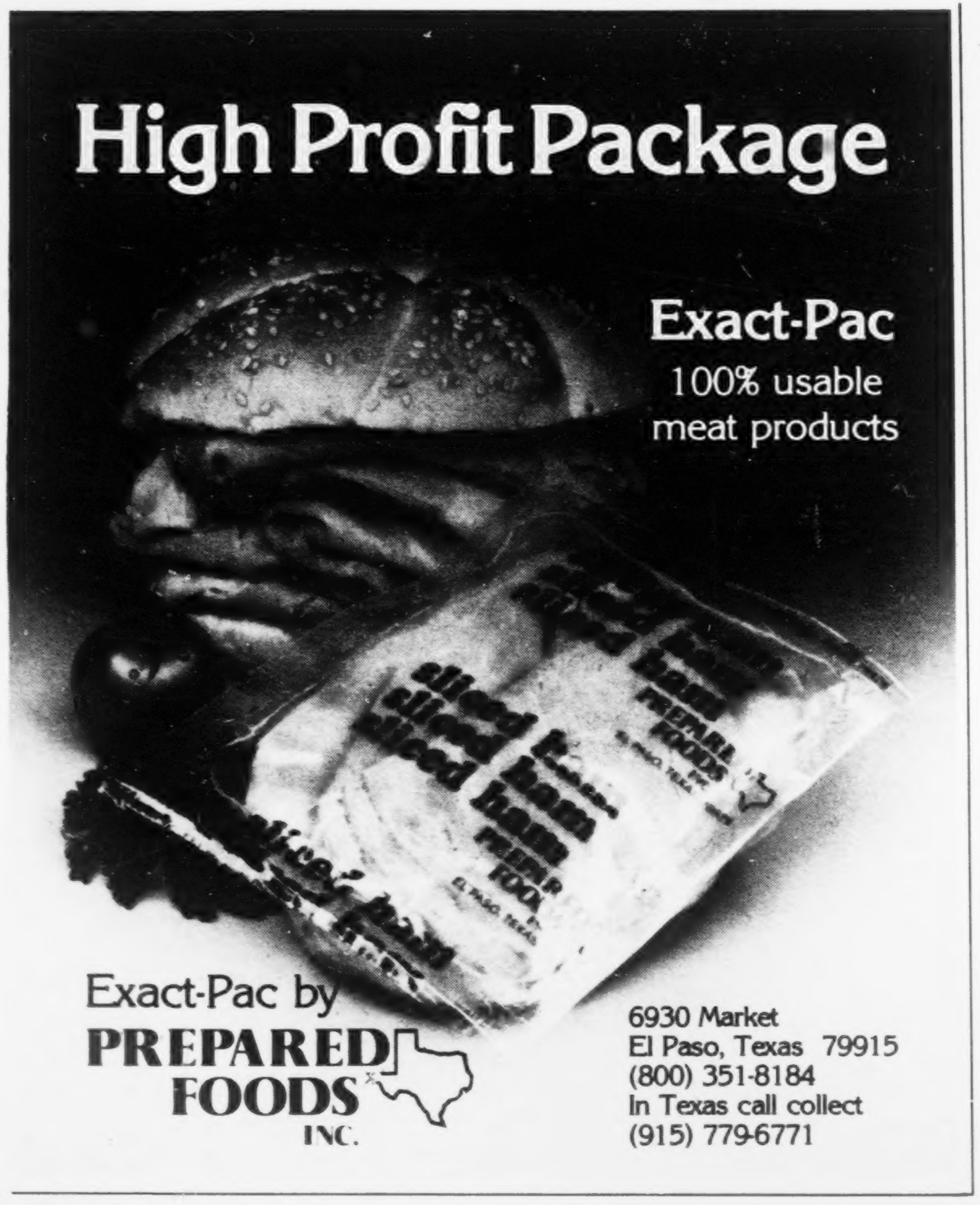
If further energy consumption restrictions become necessary, the Government should then impose new nationwide speed limits, restrictions on the use of private automobiles, weekend gas station closings, and, as a last resort, "compressed work and school weeks" limiting businesses and schools to four days per week, G.A.O. said.

Conclusion

In contrast, the agency called on Congress to avoid gas rationing, which it said "is not and will not be available for use in a disruption for the foreseeable future. And even if it were ready," G.A.O. said, "gasoline rationing is a poor way to equitably share the short supplies."

Likewise, the agency concluded that reimposition of Federal emergency building temperature restrictions opposed by the restaurant industry would not result in significant fuel conservation.

Although the President still has authority to set maximum and minimum temperatures in restaurants and other public buildings, such restrictions "would not do as much to help restrain fuel demand during a future energy emergency because the standards continue to be observed by many commercial establishments" on a voluntary basis, the agency said.



Nine-unit Luther's chain poised for franchise push

(Continued from page 2)

pany's 45 Chart House restaurants are about $1.2 million—about 50% higher than that of the Cork 'N Cleaver units, despite similar steak-oriented limited menus and an average check of about $16 at each.

This may owe to patrons' perception of the Chart House units as independent restaurants. They tend to be located in unique settings, such as by the seashore, in distinct buildings, such as historic ones or, increasingly, in newly designed units.

The Cork 'N Cleaver concept, on the other hand, comprised identical buildings and the resulting chain identity, combined with high prices. The restaurant suffered, as did others in the segment such as Victoria Station. The home offices near Denver closed, the Cisco's units were formed into a new division based here and the remaining Cork 'N Cleaver steakhouses fell under the dinnerhouse division based in La Jolla, Calif.

But Chart House continues to develop concepts originated by the Cork 'N Cleaver staff. These tend to be restaurants such as "Moxie's," with neon art, colored glass and lacquered tabletops, and "The Colorado Mining Company,'' with mounted elk heads and craggy granite mantelpieces.

Sales figures at the company's 280 Burger Kings, according to the company, continue to exceed those of the rest of the stores in the chain, where sales this year are flat. Average unit sales of the company's Burger Kings will total about $737,000 for 1981.

This record would be much better, observers claim, if the division were not still recovering from the operational difficulties which vexed it during the late 1970's.

The turnaround was sparked by beefed-up district and area management, tightened cost controls, revised incentive programs and improvements in store manager training—all measures whose benefits are felt more in the long term than in the short term.

Sambo's attempts new financial arrangement

(Continued from page 3)

The loan was restructured after GDV, a unit of city Investing Corp., took over at the financially ailing chain in late 1979. The new arrangement allowed Sambo's seven years to repay its loans.

Sambo's also noted that as of Sept. 30, it had failed to pay quarterly dividends for four quarters on the two series of preferred stock, which are held by GDV. Under terms of the preferred stock offering, GDV now has the right to elect a majority of Sambo's directors at the next meeting Oct. 20. GDV currently holds four of 12 Sambo's board seats. But GDV already has management representation; it doesn't need more board seats to give it additional control.

Meanwhile, Sambo's has filed a $4 million lawsuit against the Ventura (California) district attorney and head of the county's consumer fraud unit, charging them with libel and interference with the chain's economic advantage. The lawsuit focuses on a statement released to the press last December in which Sambo's restaurants in Ventura County were called "a substantial health hazard."

* * *

CAPINTERIA, Calif.—Sambo's has restructured its board so that three of the five members represent City Investing Corp., which has a controlling interest through its GDV subsidiary (slated to be completely acquired by City Investing). The board formerly had five of 11 members as City Investing representatives.

Frank Moothart, a City Investing vice president, was named a new Sambo's director. The four remaining directors are John Quirk, City Investing treasurer; Daniel Shaughnessy, Sambo's chairman and chief executive, a City Investing director too; William Buzick, former chairman and ceo of Consolidated Foods, and Frederick Giersch, a former Montgomery Ward vice president.

Chains step up public offerings

(Continued from page 1)

the cheapest way to raise capital for the company in the long run," said Henry Harris, controller of Garcia's of Scottsdale, a Mexican dinnerhouse chain in Arizona that operates five restaurants and has three under construction.

Garcia's was one of three companies to go the IPO route last month. It raised $8.5 million, part of which will be used to buy three additional restaurants and to finance expansion. According to Harris, the chain should grow by an additional dozen or so units next year.

Expansion, though on a larger scale, was also the key motive behind the first public offering by Carl Karcher Enterprises, the California-based 300-plus unit chain of mostly Carl's Jr. hamburger restaurants that also went public last month. (The third chain to go public, as of Oct. 16th, was Pizza Ventures, a franchisee of the Godfather's pizza chain.)

Karcher raised more than $19.5 million, by far the largest amount of money raised in the recent surge of IPOs by restaurant companies.

Up until now, Karcher financed growth through about 250 private investors who purchased sites and constructed the restaurants, then leased the facilities to the company. Karcher officials, however, have said that particular financing method does not lend itself to rapid expansion, a plan now in the works.

Going public is but one way companies are turning to in order to finance capital expenditures. Industrial revenue bonds and loans from the Small Business Administration are other ways to steer clear of the crushing cost of more conventional debt markets. But according to a number of analysts, going public, at least for some chains, has generally become easier than in recent memory.

For one thing, Wall Street securities analysts point out, there's been a revival of investors' interest in food-service stocks. Even though the stock markets have slumped from their early-year highs, food-service stocks are nevertheless "higher than they were two years ago in the midst of the gasoline crisis and accelerating commodity prices," said Mike Esposito of the Oppenheimer Fund.

Besides the high cost of debt, other factors to play a role in the increased activity in IPOs are the availability of faster, easier registration procedures with the S.E.C. for smaller offerings, and a lower capital gains tax, according to Meredith Young, editor of the newsletter *Going Public: The IPO Reporter.*

According to Young, food-service companies that have entered the equity market this year include Kelly-Johnston Enterprises, a franchisee of Chi-Chi's Mexican dinnerhouses operating six units in Oklahoma, and Minneapolis-based Esteban's Mexican Foods, a five-unit chain.

Another chain that went public is Big Bite. Headquartered in Columbus, Ohio, the company has merely four units, all specializing in sandwiches. But the offer of 110,000 shares, at $7.75 each, sold out in just one day.

In all, the nine restaurant chains Young listed as having gone public this year raised a total of more than $60 million.

Food-service chains are not the only companies to increasingly turn to initial offerings. The "revival of investor enthusiasm is the entrepreneurial spirit," as Young put it, has made it easier for others to come into the market as well.

In the first eight months of 1981, 338 companies went public, raising a total of $2.495 billion for their coffers. By contrast, in all of last year 237 companies raised $1.4 billion.

Other food-service companies might follow suit this year. Those known to have registered include Naugles, a California-based, a 68-unit Mexican-American fast-food chain owned by Harold Butler, cofounder of Denny's. Others, according to Young, are Buenas Foods and Omelet Annie's.

Not all companies have sustained investors' confidence since going public, however.

While the stock of some of the chains has soared, others' issues have been floundering. Pizza Time Theatre, for example, which went public in April, raised over $15 million at an initial price of $15 per share. As of the middle of last month, the stock traded at $22.45.

On the other hand, P.M.A. Restaurants Inc., a New Jersey-based franchisor of a sandwich restaurant concept called Philly Mignon, went public August 1980, with an initial price of $0.50. As of Oct. 16th, its stock was bid at $0.25 7/8.

Given the stock markets' vagaries, timing of IPOs can be a crucial issue as well.

Thus, analysts point out, the recent dip in stock prices could well result in the postponement of IPOs by some companies contemplating to go public or already registered to do so.

That's because underwriters feel the issuing company won't get the desired price for its stock. The reasoning is that buyers won't pay more for a company's stock than they would for shares in an existing company of comparable quality.

It's not clear whether any food-service company has decided to ride out the current softness of the market before going public. But some of the major companies that made secondary offerings of stock earlier in the year, when stock-prices were relatively higher, are now breathing a sigh of relief.

"I'd have to say that anyone who's relying on the equity market to do anything, unless he's done so in the past half year, is probably feeling the pinch right now," said Joseph Madigan, executive vice president and chief financial officer of Wendy's.

But if these are not the best times for larger companies like Wendy's to issue new stock, Madigan said, going public for the first time is an option for raising capital that the smaller firms should at least consider.

"I'm sure that the [recent] stock market performance has inhibited some companies from going public right now," agreed Roger Lipton, president of Lipton Research, a division of Ladenburg, Thalmann & Co. In Lipton's view, however, the underwriting environment for companies of "substance"—those that offer a new, good concept or product and sound management, among others—has been "adequately good."

There's general agreement that the IPO market won't fizzle, as long as alternative financing methods are too costly for those that want a reasonable growth rate. And since no one professes to having the crystal ball that would tell which way the economy will turn, for some the time to go public is now.

Food-service chains considering going public are carefully weighing these and other issues, including the dilution of control over one's company and greater public accountability that going public entails.

Miller out at Canteen; McGuire new president

(Continued from page 3)

shaw denied any conflict between himself and Miller. "There's absolutely no truth to it," he declared.

Besides leaving Canteen, which he joined as president in 1972, Miller also resigned as a director of Trans World Corp. The parent company, whose other major subsidiaries divisions are Trans World airlines and Hilton International, issued a statement saying Miller left "to pursue other interests."

In 1980, Canteen pretax profits declined $7 million to $19 million, while revenues increased 9% to $783 million. The company blamed much of the profit decline on recessionary plant shut downs in the industrialized North and Midwest.

For the first half of 1981, Canteen reported a profit increase of $900,000 to $5.9 million on revenues that rose 8.1% to $381.3 million.

Bradshaw said Canteen will "get away to some extent from the heavy industrial sector into the more light industrial [sector] to spread the risk against an economic downturn." He also said the company would "take advantage of the growth of the Sunbelt."

In a separate interview McGuire, the new president, said the company will "move more of our food business into institutional and commercial businesses.

Canteen's operations include such accounts as Yankee Stadium and Yellowstone Park.

Other plans, according to McGuire, include an emphasis on cost-saving operations, such as its "by the ounce" program. That concept allows customers to choose from and serve themselves a variety of food items, paying an amount determined by the kind and quantity of food they select.

Breakfast improves sales

(Continued from page 3)

South than elsewhere.

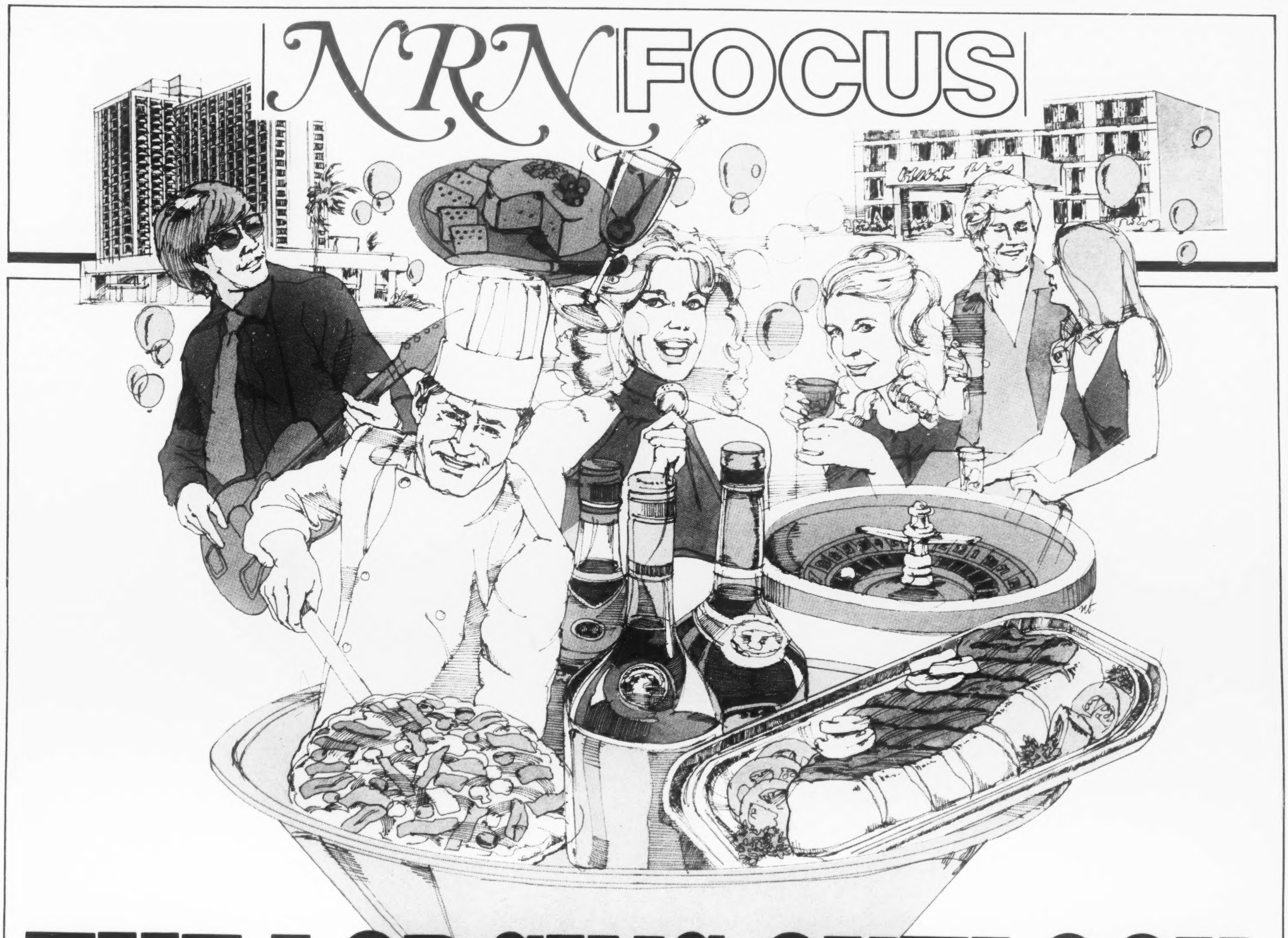
DeBiase interpreted breakfast survey results as indicating an expansion of market share in the South for both chains as a result of their competition.

As far as marketing's affect on breakfast sales specifically, DeBiase found only telephone ordering demonstrated any consistent influence.

At both McDonald's and Hardee's, stores that accept telephone orders are recording a much higher proportion of breakfast sales than other stores, DeBiase said: 18.7% vs. 15.9% at McDonald's, and 26.1% vs. 22% at Hardee's.

DeBiase pointed out that until this year both chains' stores with drive-through windows outperformed those without windows in proportional breakfast sales. This trend appears to be reversing, leading the analyst to speculate that the impact of telephone ordering, too, may be neutralized over time.

NRN FOCUS



THE LODGING OUTLOOK

Analysts remain optimistic despite uncertain economy

By Joe Edwards

To hear the optimists talk, one might think everything's coming up roses in the lodging industry's future. The doom-and-gloom boys see things differently, of course—fewer roses, lots of crabgrass and weeds.

The truth is probably somewhere in the middle. The American lodging industry, despite some serious problems, is poised for expansion in the coming years, and many industry observers and analysts, as well as hotel and motel operators themselves, forecast growth for most segments.

Big question marks loom in the assorted crystal balls, however. Will the Reagan Administration revive the nation's comatose economy? Will interest rates fall? Will domestic travel pick up? Will consumers demonstrate a reluctance to pay the ever-increasing room prices?

Then, too, there are the bread-and-butter matters of operational costs. The world energy situation is perhaps the single most important issue facing the lodging industry. Energy costs continue to rise and eat away profits. Another gas shortage could jolt the lodging industry as it has done twice in the last decade.

Payroll costs are escalating, too, and the price of borrowing money remains at a level that's much too high for many operators. Property taxes may increase in 1982 as states and cities scramble to produce extra revenues necessitated by the axing of huge chunks of Federal aid.

The optimists, while not pleased at the prospect of dealing with these issues, say the industry is prepared for the fight. The lodging industry seems receptive to the Reagan economic

(Continued on page 70)

Food service emphasized as vehicle for new growth

By Rick Telberg

At large hotels and small, chains and independents, top lodging strategists are turning to their food and beverage departments for help.

With room occupancy rates flat or falling, profit demands are translating into a need for increased productivity from existing hotel plants.

As reports in this *Nation's Restaurant News Focus* reveal, hotel restaurants and catering services are being honed to sharp-edged marketing weapons as the hotel industry battles tough times.

Increasingly, major hotels are being built as multiconcept facilities with a variety of restaurants. Chains which in the past regarded food service as little more than a headache-riddled amenity are installing or upgrading restaurant facilities, thus hoping to remain competitive as surging room rates make even "budget-priced" chains less and less affordable to those not in relatively high income brackets.

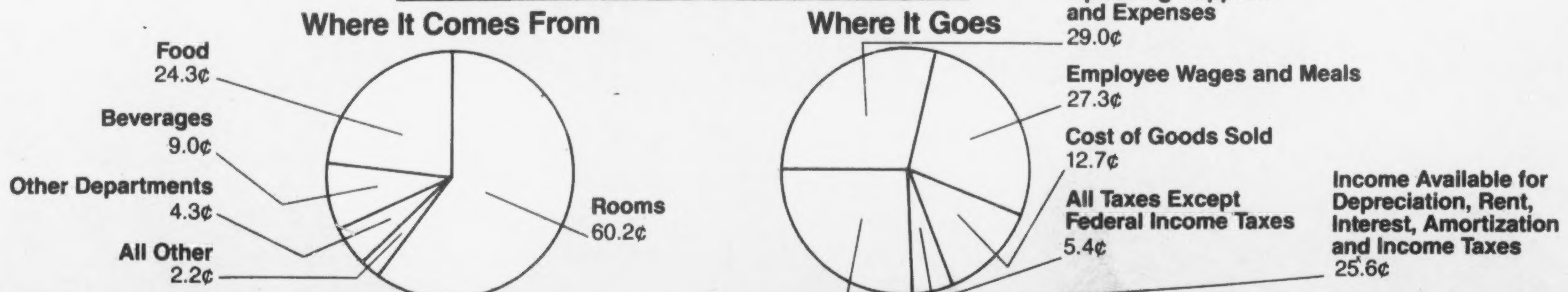
Food and beverage executives are receiving directives to make their restaurants and catering facilities self-sustaining and competitive with non-lodging operators. They are becoming more closely involved in siting new hotels, designing the kitchens, dining and function rooms and developing restaurant concepts.

As their importance grows, they are assuming more positions of power in corporate hierarchies.

Mike Hurst, well-known as proprietor of Fort Lauderdale's Fifteenth Street Fisheries restaurant but also a professor at Florida International University's School of Hotel Administration, said he especially notices the

(Continued on page 69)

*THE LODGING INDUSTRY DOLLAR**



Source: *Trends in the Lodging Industry* (Pannell Kerr Forster)

*Figures are based on reports from 800 hotels and motels.

THE LODGING OUTLOOK

Food seen as vehicle for growth

SOME REVENUE AND EXPENSE ITEMS

	Ratios to Total Revenues			Cost Per Dollar of Sales		
	Rooms (%)	Food (%)	Beverages (%)	Food (¢)	Beverages (¢)	Combined Food and Beverage (¢)
1978	57.3	26.0	9.6	33.8	21.5	30.4
1979	59.2	25.1	9.4	34.7	21.6	31.0
1980	60.2	24.3	9.0	33.6	21.4	30.2

Source: *Trends in the Hotel Industry* (Pannell Kerr Forster)

(Continued from page 67)

new importance of food and beverage knowledge at recruitment time.

When hotel executives interview students for management posts, Hurst observed, "the really red-hot candidates are the ones with backgrounds in food. When a recruiter sees the food potential, the bidding is high. These are going to be the long-ball hitters in the future."

"I know that's true," agreed Stephen Peeck, vice president of the North American division for food and beverage at Sheraton, a chain that emphasizes quality food service, "because I'm one of the recruiters.

"Twenty per cent of our resident or general managers come from f&b," Peeck added. "It wasn't always that way." In fact, Peeck's position itself is evidence of the stature food service is garnering in the lodging industry. His position was created five years ago in response to a general upgrading program at Sheraton.

Vance Christian, a private consultant and professor at Cornell University's School of Hotel Administration, suggested that managers tested in the cauldron of food service brought ingenuity and well-taught hospitality to the industry.

"Recruiters want people who can handle problems," he said. "Food and beverage departments are the most demanding. They have the greatest number of guest contacts and the greatest number of employees—and the greatest number of potential problems."

With the heightened emphasis that quality service and inventive cuisine is getting in the industry, Jacques Bourgeois, food and beverage director for Westin Hotels, sees top restaurant talents returning.

"Two or three decades ago," Bourgeois recalled, "hotel restaurants were the best in town. Then food and beverage departments became spoiled. They enjoyed great success and standards declined.

"Ten to 15 years ago," he continued, "there was a renewed interest in food and, how shall I say, proper dining. The entrepreneurs among us left. They opened freestanding restaurants on their own.

"The hotel industry had a drastic downtrend in the quality of restaurants and food service," he said. "But now, the challenge is being taken on again by entrepreneurs who are getting back into it."

Bourgeois, too, sees the greeting experienced restaurant personnel are getting in the industry: "A lot of our general managers have solid backgrounds in food and beverage."

Though food and beverage is being taken more seriously, it is getting no easier to run the departments. Despite the commitment food and beverage is getting from top management—or maybe because of the new emphasis on high-cost quality—the profit margins are narrowing.

Food and beverage revenues increased 5.9% in 1980 over 1979, but the costs increased 6.1%, according to industry accountants and analysts Pannell Kerr Foster.

"The results underscore a relatively weak performance for food and beverage operations during 1980," a Pannell Kerr Foster analyst wrote.

Over the past 20 years, the share of overall revenues that food and beverage operations contributed to the lodging industry's total revenues has fallen markedly. In 1961, food and beverage departments contributed 42.7% of hotel revenues. Last year, the figure was 33.3%, according to Pannell Kerr Foster, which tracks 800 hotels and motels.

Meanwhile, rooms departments, backed by surging room rates, have widened their share of overall revenues, from 49.6% in 1961 to 60.2% last year, according to the analysts.

Excellent food is a top priority at the Helmsley Palace in New York. Here, owners Harry and Leona Helmsley visit the kitchen.

Hotel restaurants turn marketing efforts toward local clientele

In order to wring more productivity out of existing food-service facilities, hotel food and beverage directors are turning to their own backyards to increase volume.

Increasingly, hotel restaurants are promoting weekend brunches to lure local clientele into hotel restaurants on weekends, when occupancy is low. Lunch specials are popping up to capture local businessmen while out-of-town businessmen are out. Happy hours and special entertainment are filling otherwise quiet lounges on Friday and Saturday nights.

All across the country at luxury-class hotels, there is a revival of quality food, service and presentation. Top talent chefs are getting top dollar. They are being told to be creative, to introduce their continental training to the local community, to devise special dishes based on local tastes.

The target of all this attention is the local clientele. "Hoteliers know," suggested Jacques Bourgeois, food and beverage director for Westin Hotels, "that people in the local community will not sleep in the guest rooms. But if there is an opportunity to make them experience the hotel, it is through the restaurants."

It pays off in two ways. First, restaurants boost volume, and second, satisfied dinner customers recommend the hotel to out-of-town acquaintances.

By targeting the local market, food and beverage directors also benefit from an instant barometer of their performance. "In satisfying the local market," Bourgeois said, "we will satisfy the guests."

But in chasing the local client, hotels must compete with all the flexibility and aggressiveness that independent operators have. "We have to follow what the creative entrepreneurial restaurants do," said Stan Bromley, general manager of the Hyatt on the Square in San Francisco.

Hyatt Hotels hope to stay one step ahead of the larger-restaurant market, however, by continuing to offer high-quality food and service. Horst Schulze, food and beverage vice president for the chain, disclosed that the chain may introduce fresh-made ice cream and fresh-baked goods at its hotel restaurants.

Increasingly, too, major hotel facilities are being built with a diversity of restaurant concepts.

The 2½-year-old, 900-room Loews Anatole Dallas, for instance, has five different restaurants: A 24-hour, fast-food kiosk, a coffee shop, a Chinese restaurant, a Mexican restaurant and a continental restaurant.

Half the traffic in the continental and Mexican restaurants is local, according to Randy Gantenbein, food and beverage director. Of the 900 covers he serves at Sunday brunch, 75% are local.

At the Hyatt Regency Fort Worth, opened last May, the hotel Cafe Centennial caters to local tastes by featuring a barbecue buffet. The restaurant also appeals to local diners and establishes an identity by incorporating into its menu Tex-Mex cuisine.

Regional dishes take center stage at the Boston Ritz-Carlton as well. Clam chowder, Maine lobster in whiskey sauce and other seafood dishes form the backbone of the menu, according to John Carter, food and beverage manager.

The Ritz-Carlton food and beverage department provides the hotel with about half of the property's total revenues, Carter said, despite the fact that the main dining room is on the second floor.

Sometimes the need to tailor restaurant operations to the local community is painfully obvious. Felix Meier, vice president for food and beverage at Radisson Hotels, scaled down the concept at the St. Paul, Minn., property after realizing that a haute cuisine restaurant wasn't working.

"It served cuisine fit for connoisseurs," he recalled. "But they're not connoisseurs in St. Paul."

Steven Crichton, food and beverage director at the Lansing, Mich., Hilton Inn, said that by intensive local advertising, he has been able to make weekend volume higher than midweek volume.

At the end of the third week in a 10-week trial, he reported Saturday liquor sales had tripled after a Happy Hour with a lavish spread was introduced. The weekend mix is 70-30, weighted to local clients.

Tableside salad service and a cart of vintage wines served by the glass, he said, has quadrupled wine sales in general. A $60,000 investment in a new entertainment center, he hopes, will make permanent customers out of his new-found weekend business. "Everything's been so successful," he beamed, "my competition is copying it."

THE LODGING OUTLOOK

THE PROFIT POINT

(All Hotels and Motels)

Vital Statistics	Break-Even Point
Rate of Occupancy	58.3%
Revenue Per Available Room	$14,808

Source: *Laventhol & Horwath*

*WHO'S STAYING OVERNIGHT?**

Purpose of Trip	Percentage
Government Workers	5
Business Travelers	40
Pleasure Travelers	28
Conference Attendees	19
Family Business & Other	8

Average Length of Stay:

1978	2.4 days
1979	2.5 days
1980	2.5 days

Source: *American Hotel & Motel Association*

*All figures apply to hotels and motels with 100 or more rooms.

Full impact of air strike still unknown

NEW YORK—The impact of the air traffic controllers strike on hotel occupancy rates is not yet fully known, but hotel spokesmen and lodging industry analysts think the worst declines in occupancy were experienced in the first weeks of the strike.

Occupancy rates were off about seven percentage points at Hilton Hotels and substantially more than that during the first seven days of the strike, a spokesman said. Particularly hard hit were the company's properties in New York and Washington.

Holiday Inns, whose occupancy rates dropped to 70.6% in the first six months of this year compared to 72.4% in the same period in 1980, reported occupancy decreased between 2%-4% in the first three weeks of the strike, which began in August.

La Quinta Motor Inns has suffered little from the strike. Occupancy rates during the first two weeks of August were about half a percentage point higher than they were in the same period a year earlier. But the August increase was less than the increases in June and July when La Quinta's occupancy rose 3.8% and 2.4%, respectively.

In the first seven months of this year, average occupancy rates in the domestic lodging industry dropped to 69%, down two percentage points from the same period a year earlier. A lodging industry analyst said occupancy for the entire year should be off about 2% industrywide.

Analysts optimistic despite tough economy

(Continued from page 67)

recovery plan. Many large chains are eagerly mapping out ambitious expansion plans. The gaming industry is growing stronger and is having a highly favorable impact on the earnings of several large hotel corporations.

What kind of year has 1981 been? Corporate executives might talk about "the challenges" of a tough year; those who are less euphemistically inclined, though, would have to say it was disappointing.

Even though lodging sales continued their upward spiral of recent years and are expected to reach $27 billion for 1981, exclusive of gaming revenues, whether there is any real growth after the ravages of inflation will not be known until final figures for the year are tabulated.

Overall lodging sales are up, but room rates were hiked about 12% in most segments, to keep pace with skyrocketing operational costs of inflation.

Average occupancy rates for the year are running below 1980 levels. In the first seven months of 1981, average occupancy rates at hotels and motels were 69%, down more than two percentage points from the same period in 1980, according to Randall Smith, an industry research analyst for Laventhol & Horwath.

In the first five months of this year, sales per occupied room were up 11.4% from the year-earlier period but total hotel sales rose only 7.6%. The weak performance of hotels and motels so far this year comes on the heels of a rather poor 1980, when overall occupancy in the lodging industry was off 3.5%.

Smith noted that the drop in occupancy so far this year is less than it was in 1980, but he added that the effects of the air traffic controllers strike, which started in August, are not yet fully known.

"The August figures will begin to show the impact of the strike," he said. "For the entire year, occupancy rates will be off about 2%."

The controllers strike only added to the problems of the domestic airline industry, which in turn has had a weakening effect on the lodging industry. 1980 was one of the worst years in air travel history, with passenger travel down 4.7%; not much improvement has been noticed so far this year.

The strike at first had a severe effect on some hotels and motels and the American Hotel & Motel Association said that in the first few weeks the industry was losing about $25 million a day in sales. As the strike dragged on, though, business started picking up.

The economy overall has not been recovering as quickly as some thought it would. This year was supposed to show a gradual strengthening of the lodging industry, something that has not happened. And the same external factors which prevented a recovery this year are expected to work against the industry in 1982.

"We tend to think the outlook for the long term is good, but there are too many variables for 1982," Smith said, predicting that hotel business should be "pretty flat" for the first six months. "I can't foresee an increase in the occupancy rate for next year," he said. "But I don't think it will decrease, as it has for the last two years."

Pannell Kerr Foster, another firm tracking the lodging industry, earlier this year forecast "a recovery for occupancy rates in 1981 and positive growth in 1982."

The lodging industry is very sensitive to external factors, such as the general health of the economy. Hotels traditionally have been considered a good investment, but investments have been trailing off and are expected to continue doing so until interest rates decrease from the record-high levels.

New construction, according to Smith, "is one of the primary stimulators of hotel demand," but the construction industry has been depressed for a couple of years with little cause for optimism at least through the first half of next year.

Gasoline prices have cut traffic volume on the nation's highways by 1.3%

(Continued on page 71)

COMPARATIVE INDUSTRY PERFORMANCES

(800 Selected Properties*)

	1979	1980
Total Revenues (Billions)	$3.66	$4.03
Income Before Depreciation, Rent, Interest, Income Taxes	$936 million	$1.03 billion
Rate of Occupancy	72.8%	69.9%
Average Daily Rate Per Room	$39.26	$45.55
Average Daily Rate Per Guest	$26.43	$30.90
Per Cent of of Double Occupancy	48.5%	47.4%
Average Hotel Size (Rooms)	261	263
Total Revenues Per Available Rooms	—	$19,312
Income After Property Taxes Per Available Room	—	$4,941

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*The figures are for 800 selected hotel and motel properties tracked by Pannell Kerr Foster. Industrywide averages differ; for example, occupancy rates in 1980, according to the American Hotel & Motel Association, were 65.2%.

OCCUPANCY OFF IN FIRST HALF OF 1981

Cities	Average Room Rate		Average Occupancy		Average Room Revenue % Change*
	1981	% Increase*	1981	% Change*	
Atlanta	$45.35	12.3%	63.7%	– 4.4%	+ 6.9%
Boston	58.01	22.4	70.2	– 3.8	+17.0
Chicago	57.60	11.2	62.4	– 5.3	+ 4.7
Dallas/Fort Worth	55.05	9.0	65.5	– 9.2	– 1.5
Fort Lauderdale	61.91	15.9	74.8	– 6.4	+ 7.9
Houston	48.95	12.5	67.0	– 2.2	+ 9.4
Memphis	31.95	11.4	65.3	+ 3.0	+14.1
Miami	70.21	20.4	69.9	–14.8	+ 2.1
New York	66.81	12.6	71.3	– 8.1	+ 2.9
Orlando (Disney/ Kissimmee area)	43.15	5.4	74.0	– 6.8	– 2.3
Philadelphia	45.47	11.8	65.1	+ 0.2	+11.3
San Francisco	66.66	17.9	76.1	– 1.4	+15.6
Nationwide	$54.82	12.9%	69.4%	– 4.4%	+ 7.4%

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*Figures are averages based on reports from hotels with 273,000 rooms in 20 major cities for the first six months of 1981. Per cent change is a comparison to figures for the same period of 1980.

THE LODGING OUTLOOK

Analysts remain optimistic

(Continued from page 70)

this year, according to the U.S. Travel Data Center, and coupled with the high cost of air travel, should continue to have a negative effect on hotel and motel business.

The rate of inflation—10% in 1980 and 11% so far this year—continues to erode American consumers' disposable income, and leisure travel as well as business travel has been cut back.

As if the economy did not cause enough headaches for the lodging industry in 1980 and 1981, a number of disasters has tarnished the image of the industry. Two major fires at luxury hotels in Las Vegas killed 92 persons, injured hundreds and caused millions of dollars worth of damage and lost revenues; a fire at a hotel conference center in New York State killed 26 businessmen; the collapse of a hotel atrium walkway in Kansas City killed 112 persons and injured scores more.

Foreign tourism, which helped boost lodging industry revenues in 1980 and early this year, fell off in late spring due to the strengthening of the American dollar on world monetary markets. The United States, once a big travel bargain for foreigners, quickly became more expensive.

More than 22 million persons visited the United States from abroad in 1980, spending $10 billion. From reports of hotel operators in several gateway cities, foreign tourism was off this summer.

Major lodging industry chains are expected to continue the rapid pace of expansion and the large-scale renovation programs that were evident in 1980 and 1981. If the prime rate drops to about 15% next year, as it is expected to do, investments in hotels will pick up, touching off more expansion.

Room rates, which have been rising steadily, will continue to go up as operators wrestle with the costs of operating established properties and building new ones. The trend toward foreign investment in the American lodging industry will accelerate.

One dramatic example of the state of the lodging industry is provided by *Trends in the Hotel Industry*, a publication of Pannell Kerr Foster. It reports that in 1980, 65% of hotels and motels showed decreases in the number of rooms sold; 65% showed decreases in the number of guests; 16% showed decreases in room revenues, 30% showed decreases in food revenues; 39% showed decreases in beverage revenues; 19% showed decreases in total revenues, and 36% showed decreases in income.

The hotel chains that have been faring the best in the last three years were those having a balanced mix of all three primary lodging industry customers—business travelers, meetings participants and leisure travelers.

The report noted that the hotel construction boom of 1980 was initiated several years ago when interest rates were lower. As long as long-term financing remains expensive, the number of such projects will decline, it said.

*HOTEL INDUSTRY SEGMENTS AT A GLANCE**

Segment	Occupancy	Total Sales Per Room	Breakdown of Total Sales Guestrooms	Food & Beverage	Other Revenues
Industry Medians	74%	$13,119	64%	30%	6%
Convention/Commercial Hotels	71	16,313	61	32	7
Resort Hotels	69	17,135	59	33	8
Roadside Hotels	68	9,783	66	29	5
Airport Hotels	78	13,114	67	28	5

Source: *Laventhol & Horwath*

*Figures are medians for the different types of hotels tracked by Laventhol & Horwath during 1980. The average occupancy rate for the lodging industry, according to the American Hotel & Motel Association, was 65.2% for 1980.

Chains outdraw independents by 5%-10%

Aggressive growth and general financial health characterize many leading United States hotel and motel chains. Many have been expanding primarily through franchise sales or by managing properties developed by others.

Most of the nation's leading chains enjoy an occupancy rate 5%-10% higher than the overall industry occupancy rate. More than 80% of their properties are franchised or members of a consortium. About 13% are company-owned, 3% are under management contract and 3% have other forms of operation.

These figures were reported by a hotel and motel trade publication in its 1981 report on the industry. A summary of what the selected leading hotel and motel chains did this year and what they plan to do in 1982 and beyond follows, based on reports by operators, industry analysts and investment bankers.

HOLIDAY INNS—With close to 1,800 hotels and 307,000 rooms in 59 countries, the Memphis-based company is by far the nation's largest hotel firm. Operating income for hotels in the second quarter was $50.5 million, up 5.9% over the same period last year.

Holiday Inns has raised room rates 11% this year in its domestic properties. The average occupancy rate chainwide in the second quarter was 68.1%, down from 69.5% a year earlier. For domestic properties, the occupancy rate was 74.3% compared to 74.7% a year earlier.

The room rate for Holiday Inns' American properties was up 12.5% in the first half of the year to an average of $39.48. The chain plans to continue its expansion pace of one new hotel about every five days. Though the company has been bullish about its recent incursion into the gaming industry, Michael Rose, chief executive, said Holiday Inns remains committed to hotel industry as its primary business.

MARRIOTT CORP.—Taking a different route toward expansion, Marriott has been involving itself in managing properties rather than owning them, although the diversified company does own and operate 20 large hotels.

The chain added 6,000 rooms and 16 properties this year and now owns, franchises or manages a total of 87 hotels with 35,652 rooms. The company has embarked on an ambitious expansion plan which will see growth of 20%-25% in each of the next five years.

Operating profits in the hotel group in the second quarter were 2.5%. Though revenues were up 26%, profit margins were "restrained" due to the cost of new openings and because the profits from the management contracts it holds for 23 Marriott hotels are less than they would be if the company owned those hotels.

Marriott's occupancy rates, which were about 80% in 1980, are off about 1% this year. Building an average Marriott hotel at a downtown site costs $100,000 or more per room.

RAMADA INNS—The company's debt piled up dramatically this year during its stumbling entry into the Atlantic City, N.J., gaming market. The chain's new hotel-casino there will wind up costing $330 million, close to three times as much as was figured when the project was launched three years ago. Ramada expects to lose $26 million this year.

In a move to expand its potential market, Ramada earlier this year said it would build 15 Ramada Renaissance hotels in major cities to compete in the luxury class. The company also has embarked on major renovation of older properties.

During 1980, the company's lineup decreased by 17 properties and 774 rooms. There are now 626 hotels and motels with 94,000 rooms in the chain. The majority are franchised properties. Ramada's average occupancy rate is about 66% with an average room rate of $36.

BEST WESTERN INTERNATIONAL—Best Western is not a chain but a nonprofit association of 1,781 members who own and operate 2,726 properties with 203,667 rooms. Average room rates are $45.

The company was struck a blow earlier this year when Robert C. Hazard Jr. and Gerald W. Petitt, the two top executives, and six other top company officials, resigned. Hazard and Petitt moved to a competitor, Quality Inns.

Best Western's new head is Ronald A. Evans, who said the growth that has characterized the chain in recent years will be halted in favor of a slower "targeted growth." In the association's first nine months, ended Aug. 31, gross room sales were up more than 31%.

The company has installed a new

(Continued on page 72)

TOP DOMESTIC LODGING CHAINS

Rank	Chain	Number of Properties	Number of Rooms
1.	**Holiday Inns Inc.**	1,757	306,312
2.	**Best Western***	2,726	203,667
3.	**Ramada Inns Inc.**	626	93,992
4.	**Sheraton Corp.**	419	109,196
5.	**Hilton Hotels Corp.**	213	76,000
6.	**Friendship Inns Int'l**	928	64,000
7.	**Howard Johnson**	525	60,000
8.	**Days Inns of America**	316	44,517
9.	**Quality Inns Int'l**	368	41,557
10.	**TraveLodge Int'l**	553	40,729
11.	**Marriott Corp.**	87	35,652
12.	**Motel 6**	312	33,284
13.	**Hyatt Hotels Corp.**	61	33,000
14.	**Best Value Inns/Superior Hotels**	401	24,000
15.	**Roadway Inns**	153	18,548

Source: *Lodging Hospitality*

*Best Western International is a nonprofit association of 1,781 members.

THE LODGING OUTLOOK

THE HIGH COST OF OPENING AND OPERATING HOTELS

Hotel Category	1981 Per-Room Opening Costs
Luxury	$67,000-$128,000
Standard	$38,400-$ 70,000
Economy	$20,600-$ 41,400
Expenses and Costs for Transient Hotels	**Per Cent Increase (1980 vs. 1979)**
Total Expenses	8.3%
Rooms Expenses	12.4%
Food and Beverage	6.3%
Payroll Costs	10.9%
Energy Costs	23.6%
Property Taxes	8.5%

Source: *Hospitality Valuation Services* (for per-room opening costs) and *Trends in the Hotel Industry* (Pannell Kerr Foster) for expenses and costs.

*Transient hotels are those properties catering to business travelers and convention groups, usually situated in metropolitan areas.

Chains outdraw independents

(Continued from page 71)

reservations system and is ready to start what it calls a tough new quality control program which has the approval of a majority of the members.

QUALITY INNS—With a new top management team, several of whom are defectors from Best Western, in place, the 355-unit chain has started an expansion program which will effectively split the company into three separate chains—the budget Comfort Inns, the midpriced Quality Inns and the higher-priced, upscale Quality Royales.

Other plans for the next three years include doubling the chain's size to 80,000 rooms; raiding franchisees from competing chains with offers of better service and higher occupancy rates, and instituting a quality control system.

The chain also plans to install a computer reservation system and will expand overseas as well as in the United States.

HYATT HOTELS—Hyatt Hotels Corp. is a privately held company separate from the publicly owned Hyatt International. Both are controlled by the Pritzker family of Chicago. Hyatt Hotels Corp. manages most of its 60 properties.

Many of the newer Hyatt hotels are in the high-priced luxury class and feature dramatic architecture, such as atrium lobbies, room rates which exceed $100 in some cities, and several food and beverage operations, usually include "gourmet" restaurants.

Hyatt is building several luxury properties in some major and secondary cities in this country this year and next. It recently completed a $400 million expansion program which brought eight new properties and 6,000 rooms into the system.

LA QUINTA MOTOR INNS INC.—Even though occupancy rates at La Quinta were down to 80.1% in fiscal 1981, ended May 31, from a high of 83.8% in 1980, the nation's 17th largest hotel/motel chain still enjoys one of the industry's highest occupancy rates.

Last year, La Quinta had a net gain of 13 properties, bringing its total to 105 motels and 12,492 rooms. Most of the motels are company-owned, with only 14 franchised and two operated by the company under management contracts. La Quinta plans to add a dozen motor inns next year.

The company, whose total revenues increased 34% in fiscal 1981, reported a 3% increase in the occupancy rate last summer. Average room rate is $29.25.

THUNDERBIRD/RED LION—A regional chain with 43 company-owned properties and 8,211 rooms in Washington, Oregon, Montana, Nevada and California, Thunderbird/Red Lion enjoys a 77% average occupancy rate.

Thunderbird/Red Lion reported sales of $140 million in the last fiscal year and projects 1982 sales of $300 million. Many of the company's newer hotels are in the luxury segment, some with extensive food and beverage operations.

The chain has kicked off an expansion program to acquire and convert existing hotels and build new ones in California, Texas and other parts of the West and Southwest.

Hotels offering lavish extras to offset soaring room rates

DALLAS—Guests staying at the newly refurbished Adolphus Hotel here have a choice of three different types of soap (Spanish mango, French milled or clear organic) and find free terrycloth bathrobes in their rooms.

At the Jefferson Hotel in Washington, D.C., guests receive complimentary tins of English biscuits and free shoe shines—they just place their footwear in a bag outside their rooms at night and in the morning find the shoes polished.

Those checking into the new Sheraton Utama in Borneo can listen to taped music if they're not in the mood for television or radio. Each room comes with a refrigerator and mini-bar, too.

The Raphael Hotel in Chicago not only has refrigerators in its guest rooms, but stocks them daily with buckets of ice and imported sparkling mineral water.

The frequency with which these and other types of amenities are being offered to hotel guests is the most easily recognized trend in the lodging industry, apart from soaring room rates. In an effort to make overnight stays more pleasant and the prices of rooms more palatable, hotel operators are massaging their guests with special showerheads, wishing them a good night's rest with a note and foil-wrapped chocolates on their pillows and sending a morning paper up with their continental breakfasts.

And it's not just the luxury hotels which are offering these extras. The midpriced Holiday Inns chain, for one example, stocks bathroom closets with sewing kits, shampoo and soap and is considering installing free hair dryers in some of its properties.

This race to add amenities, a relatively new phenomenon, coincides with the rapidly escalating costs of opening and operating hotels, and the concurrent increases in average daily room rates.

The average room rate in domestic hotels increased 16% in 1980 and rose another 12.1% in the first half of this year, according to *Trends in the Hotel Industry*, the publication of Pannell Kerr Foster, an accounting firm. Transient hotels, those which cater to business travelers and convention groups, hiked their prices by an eye-opening 17.9% last year, the most of any segment in the industry.

The average room rate for hotels in 20 selected cities surveyed by *Trends* was $54.82 in the first six months of this year, a 12.9% increase over the same period in 1980. Boston and Miami hotels increased their prices the most in the first half, by 22.4% and 20.4%, respectively. The average hotel in Boston now costs $58.01 per night and the average room in Miami costs $70.21.

In New York, one of the more expensive lodging cities, room rates increased nearly 13% in the first six months. The average daily room rate citywide is $66.81, but the average room rate at transient hotels in midtown Manhattan is $75 with many luxury properties charging much more than that for an overnight visit.

The per-room cost of opening new hotels has gone way up in the last few years. In 1976, it cost between $43,000 and $80,500 per room to open a luxury hotel, according to Stephen Rushmore, president of Hospitality Valuation Services Inc. That range has increased to $67,000-$128,000 this year.

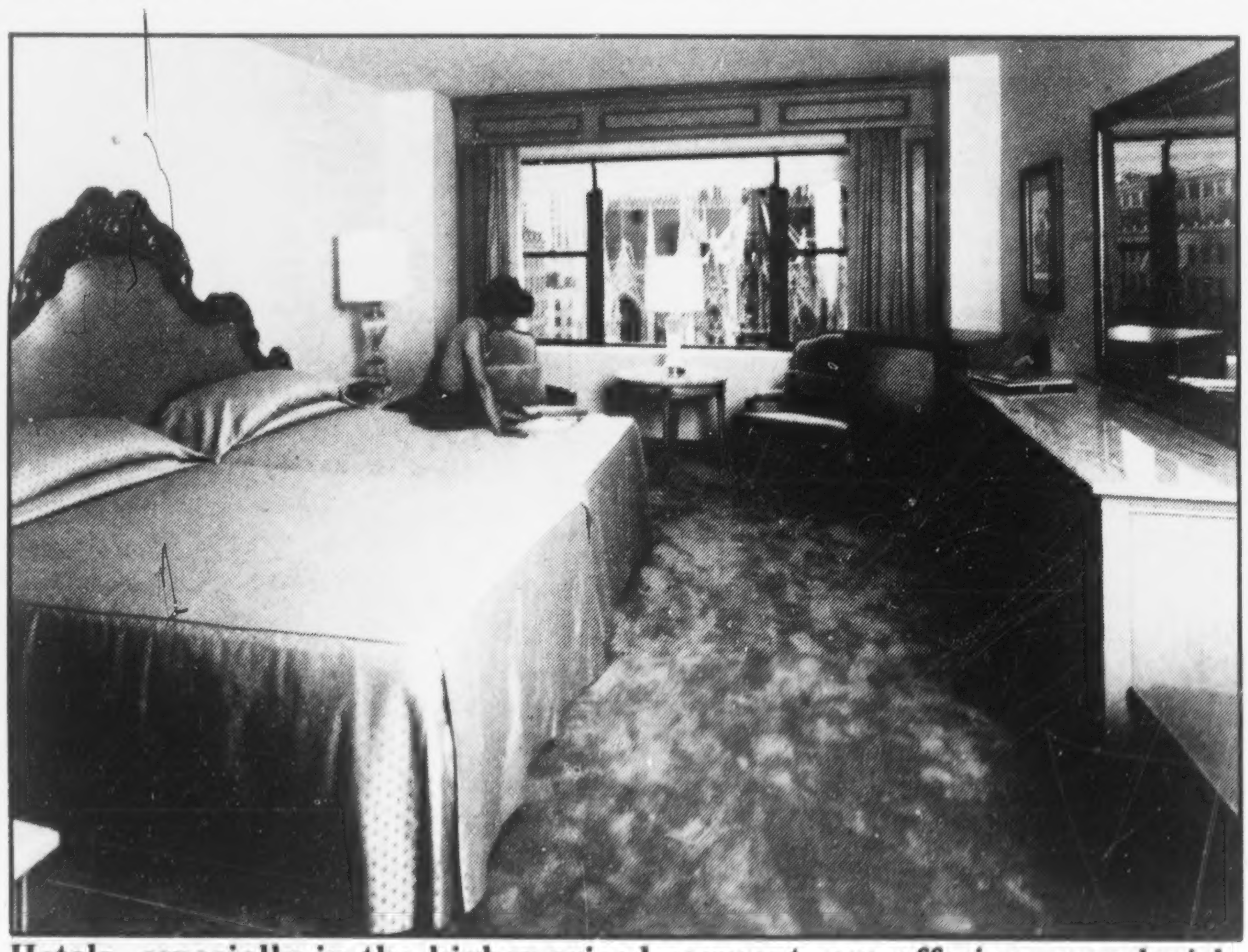
The startup costs are just the beginning. Overall expenses for operating transient hotels increased 8.3% in 1980, according to *Trends;* room expenses increased 12.4%, food and beverage expenses were up 6.3%, payroll costs jumped 10.9%, energy was up 23.6% and property taxes rose 8.5%.

These expenses were all factors in the decisions of hotel and motel operators to raise their room rates, and the higher room rates were in part responsible for the dropoff in occupancy last year and the occupancy decrease of 3.9% in the first six months of this year.

Partly to assuage customers who are growing more sensitive to increased room rates, many hotels have been spicing up their amenities.

Some examples of the extras offered by some top hotels: the Fairmont in New Orleans has electric shoe buffers in its guest rooms; the Adolphus, in addition to the terrycloth bathrobes and choice of soap, has decorated its rooms with custom-made Chippendale and Queen Anne-style furniture and has loaded its public spaces and hallways with hundreds of thousands of dollars worth of antiques and pieces of art.

At many downtown Marriott hotels guests receive free foil-wrapped chocolate mints on their pillows at night. Some hotels have installed high-intensity heat lamps for quick drying after a shower or bath. Executive suites at the Sheraton Northwoods Inn in Alberta, Canada, come equipped with Jacuzzis, which are also part of the package at the health spas in many hotels.



Hotels, especially in the higher-priced segment, are offering more lavish rooms and additional amenities along with higher room rates.

THE LODGING OUTLOOK

Hotels step up investment in banquet facilities

While restaurants allow hotels to put their best foot forward, banquet catering still forms the backbone of many food and beverage departments. As one catering manager put it: "We're the ones that keep f&b out of hock."

With faith that businessmen will always need to gather face-to-face, many hotels are breaking into the banquet business by adding more function rooms. The ones that have banquet facilities are upgrading in the same way that they are upgrading the restaurants: lavish appointments and frills and attention to high-cost quality.

At the 600-room Opryland Hotel in Nashville, adjacent to the Opryland theme park, a $40 million expansion is planned that will add 400 rooms and increase banquet space by 150% with a 3,000-seat guest room, according to Manfred Moritz, food and beverage director. "I guess you could say we know which side our bread is buttered on," he said. "Ninety per cent of our business is convention business."

At the Boston Ritz-Carlton, John Carter, food and beverage director, said that banquet facilities have just been expanded from one function room by adding a 250-seat ballroom. In the same addition are 80 new guest rooms and, soon to be opened, 54 condominiums. The addition doubles the size of the Ritz-Carlton, he said.

At Hyatt, banquets are receiving new attention, according to Horst Schulze, vice president for food and beverage. "We were always heavy into banquets relative to other companies," he said, "but not heavy for us, compared to our restaurants."

"We're placing new emphasis on banquets and banquet sales," he said. At Dearborn, he said, banquet sales rose 32% from 1979 to 1980 by an aggressive solicitation program and "by making sure they were spectacular."

For example, The Dearborn Hyatt spent $40,000 last year on props for banquets. And they hired a decorator to design the tables and buffets. "We didn't leave it up to the waiters to set up the tables," Schulze said.

George Page, general manager at the 123-room Northampton, Mass., Hilton Inn, gets 25% of the hotel's revenue and about 10% of the profit from banquet sales. To win more group meetings, he recently started a sales department with two representatives on the road full-time. "It's probably the most important thing we do," he said. "But it's the reputation and quality of the food service in the restaurants that builds the rest of the business."

Midpriced, budget chains revamping food service

In order to keep pace with rising room rates—and the rising expectations of guests who pay them—budget and midpriced lodging chains are upscaling their food and beverage operations.

"The United States market is 70% midpriced," said Juergen Bartels, president of Ramada Inns' hospitality group. "Thirty to 40% of that is true midprice. Fifteen to 20% of that is upper midpriced and 15% to 20% of that is lower midpriced."

"We plan to be in the upper midpriced," he said, enunciating the upscaling strategy Ramada launched three years ago. A big part of that strategy is the new group of Rennaissance hotels Ramada is building.

Bartels asserted that the upgrading has worked. Food sales, he said, are up 12% this year over last, without menu price increases. And while the industry has registered stagnant or negative occupancy rates in the first nine months of this year, Ramada has registered a slight gain.

Eventually, no more than 5% of all Ramada Inns worldwide will be in the elite group where room rates are up to 15% higher than roadside Ramadas.

The first of 16 is open in Denver and food service is an important part of it.

The top two floors of the hotel are called the Rennaissance Club, where room rates are about 10% higher than the rest of the hotel. In the Rennaissance club, the top-paying guests are offered lavish breakfast buffets and, later in the day, an honor bar.

A 200-room addition is under construction at the 300-room Denver facility which will contain a gourmet restaurant. Summerfield's, Ramada's top-of-the-line restaurant, becomes second-class in a Rennaissance hotel.

"The Rennaissance hotels are the anchor that will pull up the whole image of the chain," Bartels declared.

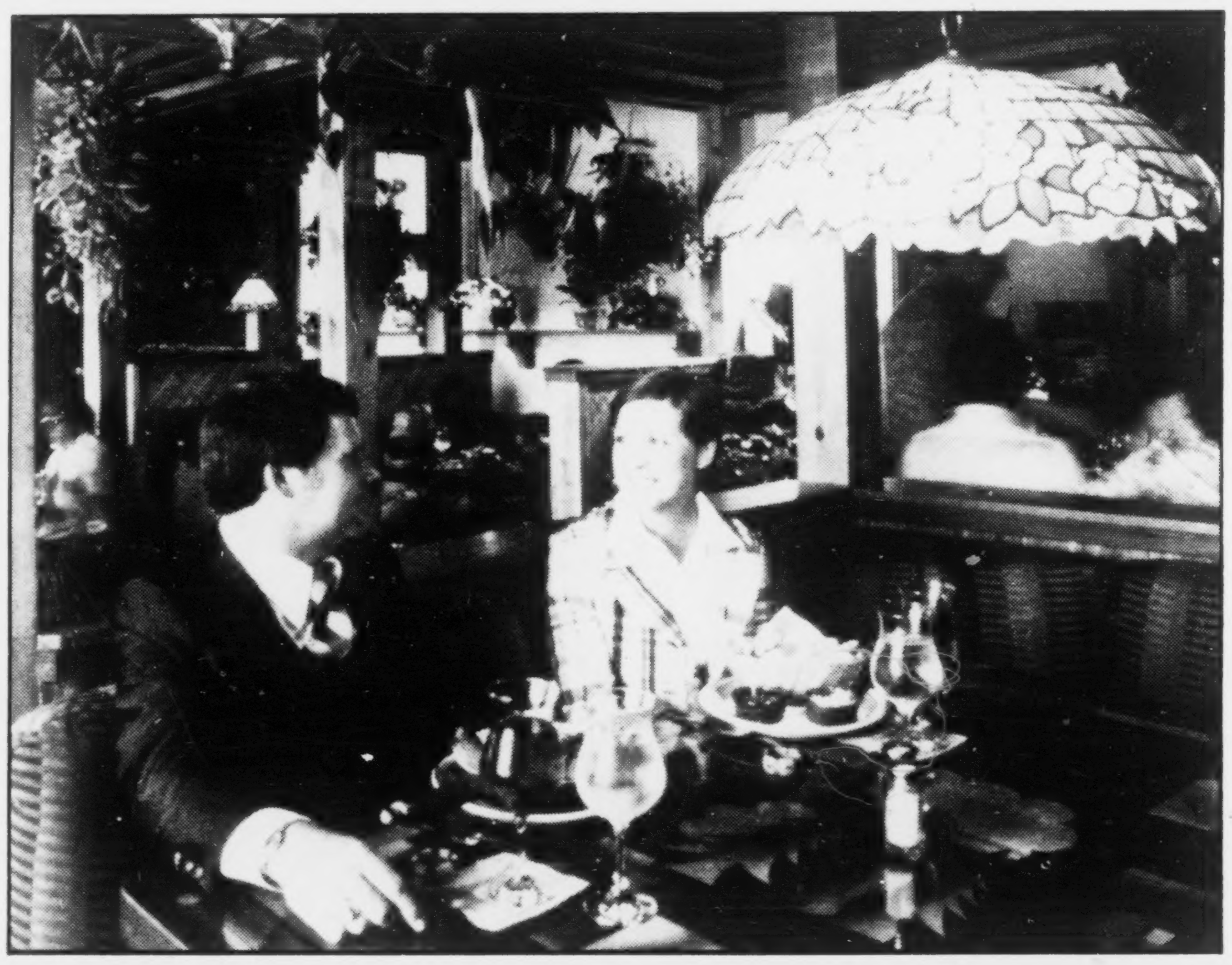
Ramada may be the most visible indicator of the trend to move up market scale, but it does not stand alone.

Econo-Travel Motor Hotels, a 137-unit chain, has announced plans to open three midsized, midrise hotels aimed at the midscale market. In moving from budget to midpriced, Econo-Travel, in a marked departure from its past formula, will build the hotels with a restaurant and lounge.

At TraveLodge International, the 500-plus-unit chain owned by the British conglomerate Trusthouse Forte, a new consciousness of food service is creeping in.

"We are becoming aware just now that a premiere dining establishment is important," said Dick Whaley, director of food service for TraveLodge. The chain remains highly decentralized, however. Whaley has a direct hand in only the 21 company-owned and -operated units.

(Continued on page 83)



Ramada Inns has modernized its food-service approach with new restaurant concepts like the upscale Summerfield's.

HOW THE INDUSTRY PERFORMED IN 1980

(800 Selected Properties*)

	Showing Decreases (Number and Per cent)	Showing Increases (Number and Per cent)
Number of Rooms Sold	515 (65%)	279 (35%)
Number of Guests Accommodated	517 (65%)	277 (35%)
Rooms Revenue	128 (16%)	666 (84%)
Food Revenue	196 (30%)	463 (70%)
Beverage Revenue	244 (39%)	378 (61%)
Total Revenues	149 (19%)	645 (81%)
Income After Property Taxes and Insurance But Before Other Fixed Charges	289 (36%)	505 (64%)

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*In each category, data was unavailable for some properties.

Waldorf celebrates half century

NEW YORK—The Waldorf-Astoria, one of the most famous hotels in the world, marked its 50th anniversary last month with a star-studded celebration for several thousand guests, an event that attracted the attention of not only the media but President and Mrs. Reagan as well.

Barron Hilton, owner of the Waldorf, read a telegram from the Reagans after cutting the 21-ft. high cake prepared especially for the occasion. In their telegram, the Reagans noted the hotel has housed "a global who's who," including every president since Herbert Hoover.

As the Peter Duchin Orchestra played Cole Porter and Ira and George Gershwin tunes, the invited guests roamed about the decorated, bilevel Grand Ballroom, helping themselves to special dishes.

The buffet tables were stocked with dartois of pheasant, a dish originally prepared for actress Carol Channing; medallions of lobster, prepared especially for dancer Ginger Rogers; gin martini sherbet, a dish favored by Cole Porter, and other items.

The five-tiered cake was erected in the center of the ballroom. The yellow and white cake was frosted with more than 1,000 lb. of gold and white icing. On it were 50 gold-plated candles and a facsimile of the Waldorf, crafted from gold sugar crystals.

Formally dressed waiters poured about 10,000 bottles of private-label champagne in 24-carat gold-plated wine glasses which were embossed with the Waldorf insignia and the year 1931.

The 47-story Waldorf-Astoria faces Park Avenue in midtown Manhattan. The hotel has 1,852 rooms, including residential apartments. The hotel rooms range in price from $70 a night for a single to $1,900 a night for the presidential suite.

Among those attending the celebration were Ginger Rogers, who starred in the film "Weekend at the Waldorf" in 1945, and Jean MacArthur, the widow of General Douglas MacArthur.

THE LODGING OUTLOOK

A new brand of Luxury hotel draws raves in the Bay area

By Donald Frazier

SAN FRANCISCO—The boom in small, luxury hotels specializing in personal service while shunning the tourist-and-convention trade has reached this city in the debut of the Pacific Park Plaza.

In the year since the 150-room hotel opened, it has drawn raves from patrons and hoteliers alike for combining a tasteful, Northern Italian-inspired design and a wealth of amenities, with prices lower than those charged by larger, less-posh hostelries nearby in the downtown area.

But its restaurant has attracted even more attention. Originally intended as a small, intimate dining room for the hotel's guests, Donatello has instead become a magnet for the carriage trade from the entire metropolitan area.

Does this cause the proprietor, A. Cal Rossi Jr., to worry that the restaurant will overshadow the hotel?

No.

As Rossi explains it, the relationship between hotel and restaurant is more complex than that. "Symbiotic," he says. Guests staying at the hotel will, he hopes, return to eat at the restaurant. Natives dining at the restaurant will discover the hotel, and tell their out-of-town friends about it.

This word-of-mouth marketing strategy is consistent with the identity Rossi wants the hotel and its restaurant to project. He wants the Pacific Plaza to cultivate a low and elegant profile, so it can be a home-away-from-home for executives of top corporations.

The identity was largely determined by Rossi's affection for 18th-century Northern Italian art and decor, his extensive travels to European hotels and the talents of designer Andrew Delfino.

The building near Union Square is filled with marble (four different types), cut glass (including the hand-blown recess panels and custom-made chandeliers), antique furniture (a different set in every room) and fresh flowers (changed twice a week, rotated with the seasons).

The 56-seat restaurant is also decorated in this style. It is divided into two rooms of different character—one, light and airy; the other, low-lit and formal.

Patrons are willing to pay for these plush surroundings. The average check—$40 for dinner, $26 for lunch—comprises entrees, priced between $13.50 and $17.50; pasta and appetizers, priced at around $6.50, and bottles of wine from 18-page list.

Rossi developed most of the menu himself, a reflection of his life-long enthusiasm for cooking. Heavily influenced by Northern Italian cuisine, it nonetheless differs slightly, the result of continual experimentation. Often Rossi minds the kitchen himself.

The popularity of the restaurant with locals has prompted special measures to ensure that hotel guests have a chance to dine there.

The letter confirming reservations includes an invitation to the restaurant; the telephone clerk asks out-of-towners if they'd like to try it, the reservations clerk asks again at the desk. If all else fails, the concierge will still try to find a way to squeeze the guests among the locals in the restaurant.

So far, these ideas seem to work—about 40% of Donatello's patrons are also guests of the hotel.

Cal Rossi, owner of the Pacific Park Plaza, drew many of his ideas for the hotel from his extensive travels throughout Europe.

Personal service at the hotel, Rossi says, is more than simply the one-to-one ratio of staffers to rooms, one of the highest in the industry. It is, among other things, butler service on the top two floors. It is a record-keeping system in which guests' preferences—cream in the coffee, onion in the martini—are noted and remembered for the next visit.

"We want everything we do here to be memorable, something special," Rossi says. "This is why the hotel and the restaurant can never be at odds. Each is independent, each is kin to the other.

"Each is a strand in the same fabric."

Cal Rossi: His elegant tastes are now available to the public

"Good taste takes a good purse," they used to say when Cal Rossi was growing up in Central California's San Joaquin Valley.

The young man heeded this advice. He made his bundle quickly, harnassing a farsighted vision of the state's growth to tenacity and acumen in real estate and development.

His fortune made by the time he was in his late 20's, Rossi finally had the means to enter the hospitality trade in style. He bought the then-dilapidated Stanford Court in 1961 and created a world-renowned luxury hotel—eventually giving himself a reputation as a hotelier of taste as well as a real estate developer of means.

Now, his new 140-room Pacific Park Plaza hotel expresses his love for Italian art while its Donatello restaurant displays his love of Northern Italian cuisine—tastes he had nurtured during years of planning subdivisions.

He admits that the small hotel—a converted motor lodge near San Francisco's Union Square—may be less profitable than a large chain hotel on the same site. He also admits that the process of building up a word-of-mouth clientele takes time and tenacity.

But tenacity is what put him in position to embark on a project like the Pacific Park Plaza in the first place.

As a high school student, he negotiated his first real estate deal—with his parents. During the next several years, he assembled a shopping center complex on 25 excess acres of family farmland. By the time it was built a dozen years later, Rossi had a national award-winning restaurant, a degree in economics and another from the school of Hard Knocks.

From then on, it was relatively easy. Rossi found a new chance to put his concern for food to use as a food and beverage director for the restaurant of the Mark Hopkins Hotel in 1961.

This led to the Stanford Court. The hotel worked, but a partnership involvement didn't. Rossi sold out in 1972, and began casting about for other deals. His cooking was confined to a kitchen that adjoins his office. His next restaurant, he decided would be Italian.

When the chance came, Rossi grabbed the old motor lodge in a part of downtown San Francisco that was coming to life. Although he didn't know exactly what he wanted to do with it, he was impressed with the possibilities of the sturdy high-ceilinged building, the continuing economic boom of the Bay area and the sophistication of its restaurant-goers.

He also noticed that more and more upper-crust travelers in the United States were growing weary of cattle-pen large convention hotels and yearned for smaller hostelries similar in concept to those they had patronized in Europe.

His own travels in Europe helped Rossi decide what kind of a hotel he wanted his new property to be.

It would be filled with art—not gallery display art, but the kind of artful decor and furnishings which surrounds guests at fine European hotels. It would provide detailed service, from fresh terry-cloth bathrobes to laundry packed in fresh linen. And it would have a fine restaurant on premises.

He and designer Andrew Delfino combed Europe, searching for the right antiques, tapestries and fixtures to use in the new hotel and restaurant.

More important, they were looking for ideas. The sense of elegance he wanted to achieve, Rossi knew, was not in antiques or materials, but in an understanding of how they could be put together.

In the end, the project took more than a year and $14 million.

But Cal Rossi has still more plans in his briefcase. He is working on a $80 million, 3,000 acre resort northeast of San Diego, 545 condominiums in central California for $20 million, a $40 million development on Nob Hill, and a $20 million project on Telegraph Hill.

He is also planning a $35 million resort in Monterey, in a partnership with restaurateur Ted Balestreri. The resort, which should be complete by 1983, he envisions as "one of the grand resort hotels."

He hasn't said, but these projects too will likely involve restaurants.

NRN FOCUS

THE LODGING OUTLOOK

Hotel boom continues in Dallas

DALLAS—More than 5,300 new rooms will be added to this city's inventory of 26,670 hotel rooms with the openings next year of a large number of major hotels, most of them in the high-priced segment. The new hotels will solidify Dallas' position as one of the premier American convention cities.

Hotels under construction and expected to begin receiving guests in 1982 include the Lincoln Radisson, Mandalay-Four Seasons, Market Center Ramada Royale, Marriott VFW Freeport, Marriott Quorum, Registry Hotel, Quorum North, Sheraton Inn, Sheraton Park Central, Dallas Galleria, Holiday Inns Brook Hollow and the Richardson Hilton.

These join a growing list of major luxury hotels which have opened in Dallas in the last few years, among them Loew's Anatole, Plaza of the Americas, the Mansion on Turtle Creek, and the Adolphus Hotel, which had been closed for 18 months until this September for refurbishing.

The 5,343 new rooms opening next year will swell the city's hotel room inventory to more than 32,000, according to the Dallas Chamber of Commerce. By comparison, there were 24,899 rooms at the end of 1980 and 23,121 at the end of 1978.

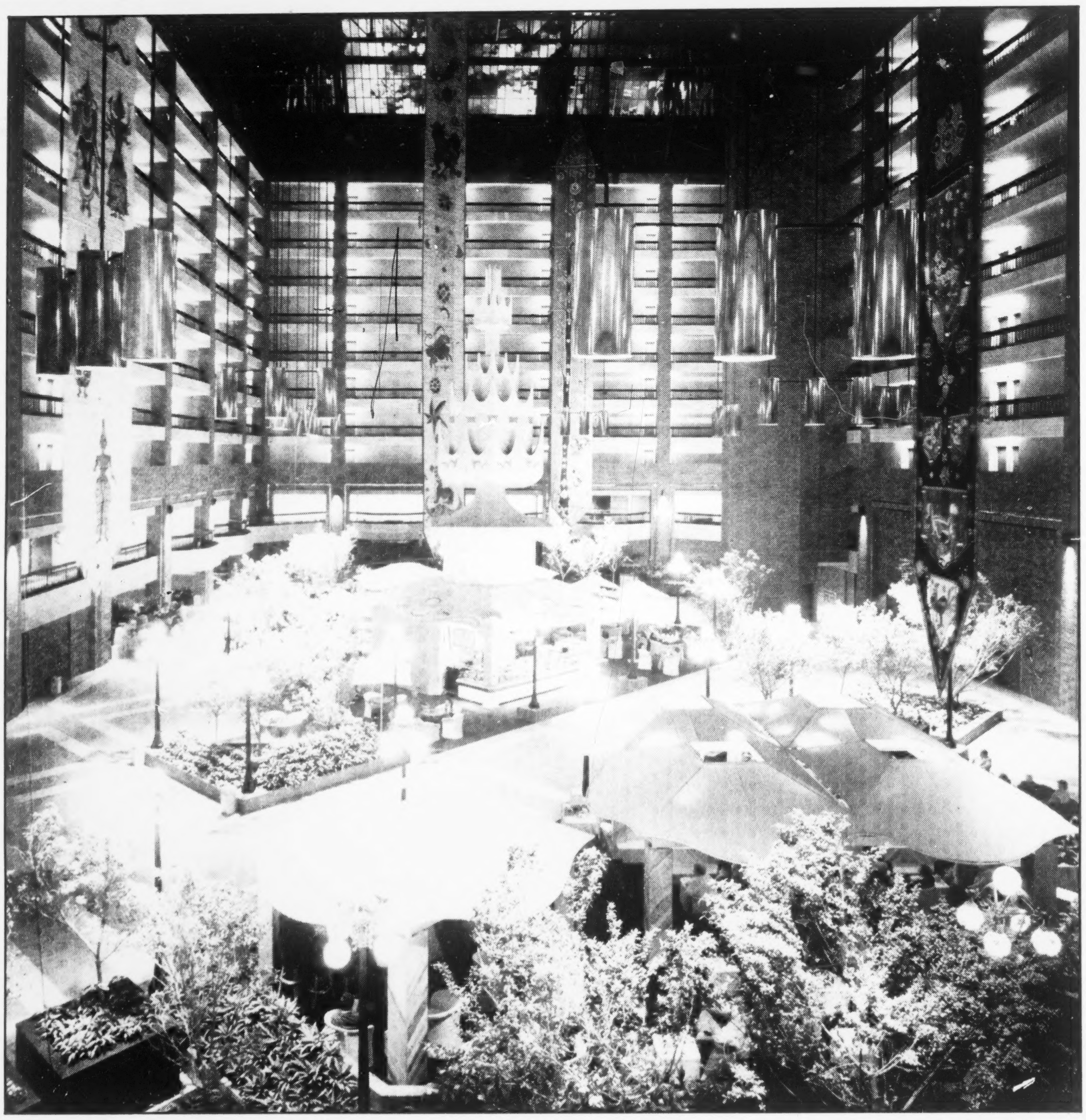
Dallas has been one of the main beneficiaries of the great migration of Americans to Sunbelt cities during the late 1970's and early 1980's. The city is now ranked eighth in population among major metropolitan centers, according to the U.S. Department of Commerce. There are more than three million persons living in the Dallas-Fort Worth Metropolitan Area, up nearly 25% since 1970.

For the hospitality industry, the outlook is generally favorable. The Chamber, for example, expects annual spending by conventioneers alone to top $190 million by 1985.

The brisk pace of hotel openings has softened business so far this year, however. Hotels in the Dallas-Fort Worth market reported a 9.2% drop in occupancy in the first six months of this year, more than double the average for major American cities.

Not only that, but Dallas-Fort Worth was one of the few markets where the drop in occupancy was not offset by increased room revenues. Hotels in the market reported that average room revenues dropped 1.5% in the first six months of the year, according to Pannell Kerr Forster, an accounting firm which tracks the lodging industry.

An average hotel room in Dallas now costs $55.05 a night, compared to $50.50 in the first six months of 1980. This is slightly higher than the average rate in American cities ($54.82). Overall hotel occupancy in major American cities was off 4.4% in the first half of this year.



The magnificent atrium lobby at the Loew's Anatole in Dallas typifies the city's trend toward luxurious hotels.

Adolphus touts new food-service programs

DALLAS—Food service is playing an important marketing and promotional role at the newly refurbished Adolphus, the 70-year-old landmark hotel which started receiving guests in mid-September following an 18-month-long, $45 million renovation and remodeling project.

At official reopening ceremonies later this month, the battery of chefs which has been assembled to run the hotel's three restaurants and round-the-clock room service will be introduced to the city. In fact, "the ceremonies will be built around food service," a spokesman for the hotel said.

The Adolphus' restaurant personnel is an obvious source of pride for the hotel's owners, Westgroup Inc. and New England Mutual Life Insurance Co., and Amfac Hotels & Resorts, the company which has the management contract to operate the Adolphus.

Jean Banchet, the world-renowned chef and owner of Le Francais in Wheeling, Ill., has been retained as a consultant for the hotel's elegant French Room. Roland Passot, the French Room chef, was trained by Banchet for four years at Le Francais. Francois Soyez, the hotel's executive chef, has years of experience at hotels, resorts and clubs in France, England, Bermuda, Canada and in this country.

To further illustrate its commitment to food service, the Adolphus has hired Louis A. Laulhere as resident hotel manager. Laulhere has a food-service background, having received training at European hotels and restaurants. Until earlier this year, he was managing director of the private restaurant-club at the Citicorp Center in New York.

In addition to the French Room, which serves classical and nouvelle French cuisine, the Adolphus has two

(Continued on page 84)

Midpriced, budget chains revamping

(Continued from page 74)

Overseeing another decentralized chain is Tom Ellison, who was named to the newly created position of food and beverage manager at Best Western.

Ellison is in charge of B-W Supply, the nonprofit corporation's distributor of logo items. His job is to expand the supply division into providing equipment and supplies for restaurant operations among the members. "Basically," he said, "it's a one-stop shopping system."

Seventy per cent of Best Western properties have restaurants on-site. Of about 2,800 units, 1,200 are aboard the new program, according to Wendy Black, a spokesman.

Ellison said the decision to expand support for food service was made two years ago. At that time, he said, many members were buying nonlogo items from a Holiday Inns subsidiary which no longer exists. Directors also wanted to expand the base of the group's membership by providing more services and, finally, members themselves were seeking more centralized support.

Ellison indicated that the directors, if pleased by response to the expanded support services, may move toward establishing standards of food service akin to currently existing room standards. That is a far way off, Ellison admitted, but the first step has been taken.

THE LODGING OUTLOOK

Renovated Adolphus touts new food-service programs

(Continued from page 83)

other restaurants: the Grille, a continental-style restaurant which doubles as a coffee shop, and the Palm Bar, a cocktail lounge with a limited luncheon menu.

Since the reopening in September, the three restaurants have been averaging about $12,000 a day in sales, according to Laulhere. Word-of-mouth about the restaurants, and especially the French Room, has been strong among Dallas-area gourmands, according to Betty Holloway, advertising and promotions manager. She reports it takes as long as three weeks to get a dinner reservation for the French Room.

Like the rest of the Adolphus, the French Room is filled with antiques and objects of art that, according to one designer, "cost a fortune." The formal, 78-seat restaurant has a vaulted ceiling, sculpted columns, ornate moldings and frescoes.

A roccoco mural covers the ceiling. A large, 19th century English mantel and over-mantel adorn the black marbel fireplace in the restaurant's bar. The fireplace itself is mahogany Chippendale refinished in antique red and carved with scenes of China. Among the paintings is a 19th century portrait of Napolean Bonaparte.

The maitre d' uses an 1880 Louis XV architect's table for his reservations book. Two massive, handblown, colored-crystal chandeliers hang in the French Room; they were made for the Adolphus in Murano, Italy.

The French Room, according to Laulhere, has nightly sales of about $6,000. Appetizers range in price from $7.50 for a terrine of fresh vegetables with coulis of tomatoes to $50 for an ounce of Beluga caviar.

Entrees include steamed salmon with pink and green peppercorns for $19.50 and roasted lobster with thyme and caviar sauce for $32.50.

The Grille, considered the main public restaurant at the Adolphus, serves three meals. Decorated like a London club, it has seating in private booths and high-back English wing chairs. Special paneling, fabrics, carpeting and period pieces of art contribute to the club-like atmosphere.

While the Grille is considered a continental restaurant, it offers salads and sandwiches in addition to its full-course dinners because the hotel doesn't have a coffee shop, Laulhere said. Average per-person check is $8.50 for lunch and $12.50 for dinner; daily sales are about $2,500.

The Palm Bar is a 120-seat restaurant which serves cocktails and lunch. The best-selling menu item at the Palm Bar, which serves about 300 lunches daily, is a croissant sandwich, which accounts for about 53% of total food sales, Laulhere said.

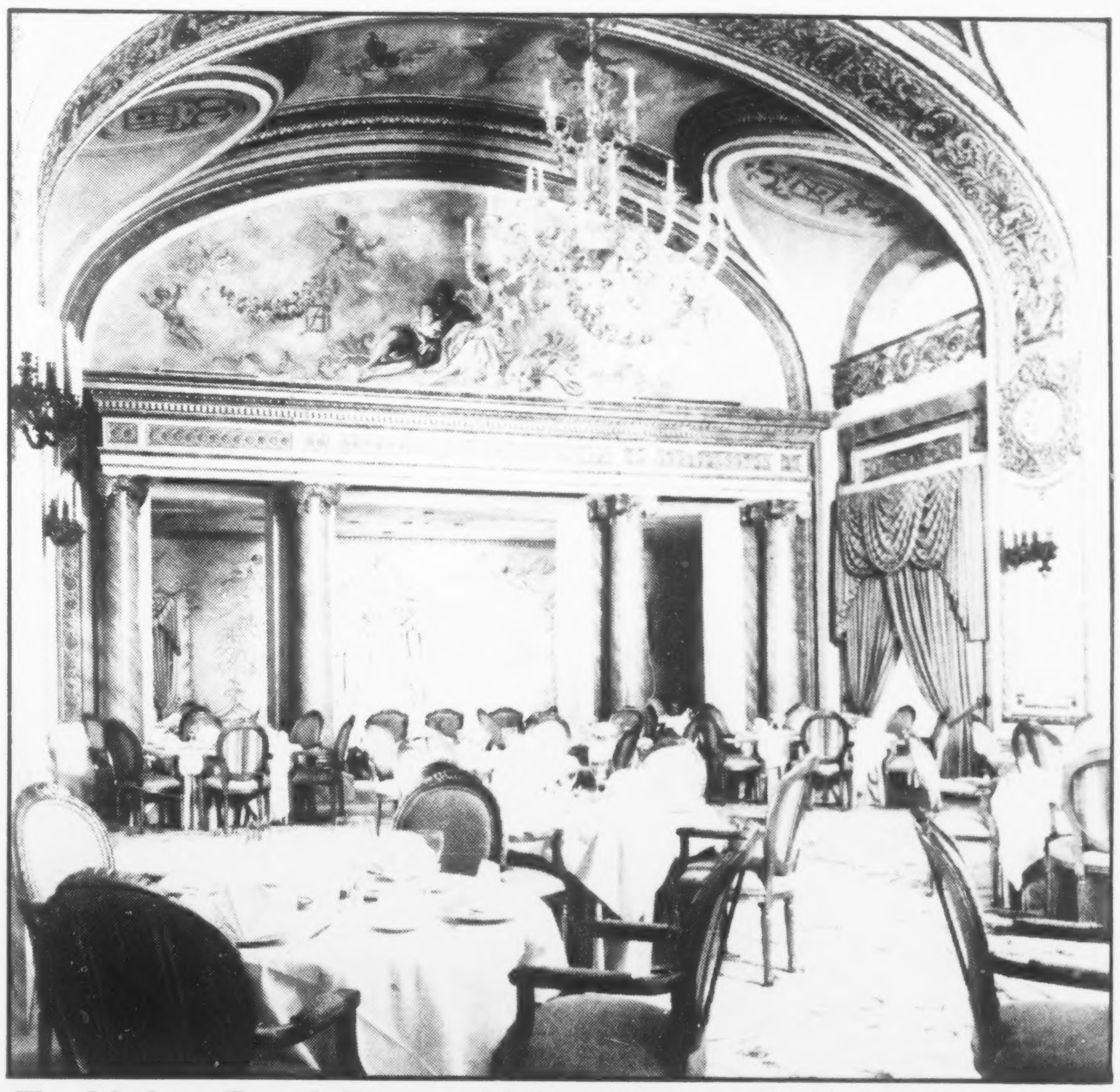
In addition to the croissant sandwiches, which come with a variety of fillings including roast beef, ham, corned beef and chicken salad and sell for $4.25—the Palm Bar has steamed fish, steamed shrimp with melted tarragon butter, onion soup and steamed little neck clams with broth.

Beverage sales account for about 30% of total sales at the hotel's three restaurants, Laulhere said.

Throughout its history, the Adolphus has managed to stir observers to utter words of praise which sound close to hyperbole. In 1912, shortly after it first opened, the hotel attracted the attention of the American Institute of Architects whose members were so enthralled by its gingerbread tower and other affects that they proclaimed it "the most beautiful building west of Venice."

One designer recently said the Adolphus "is a magnificently eccentric, one-of-a-kind hotel. There is nothing like it anywhere in America and in few places in the world."

The new owners of the 21-story, baroque-style hotel, built by St. Louis beer baron Adolphus Busch as a token of esteem for the city he considered his second home, were intent on restoring the Adolphus to its former grandeur when they closed it almost two years ago for the extensive refurbishing.



The fabulous French Room, with its antiques and objects of art, is the showcase restaurant of the newly renovated Adolphus hotel.

Outside, workmen cleaned and restored the tower and the facade of the original building and resurfaced the newer additions with tan plaster panels.

Inside, the 437-room hotel has undergone a complete renovation. Each floor has a different selection of artwork on the hallway walls and parlor arrangements near the elevators. Guest rooms were enlarged during the project and are furnished with custom-made Chippendale and Queen Anne styles. The Axminister carpeting was imported from England.

The rooms are soundproofed and have individual controls for heating and air-conditioning. Amenities include terrycloth robes, three different types of soap, waste baskets covered in fabrics which match the draperies and spreads and lacquered wood ice buckets and trays.

Among the antiques and pieces of art are intricately carved English Regency oak tables and two large 1661 Brussels tapestries. The tapestries were made in a series of six.

The hotel is filled with unusual lamps, candelabras, clocks and tapestries from Europe, the United States and the Orient.

A bronze Dore crystal chandelier, made in France around 1850, and acquired from the Nantes, France, estate of Pierre Poenot, is in the registration lobby.

The Adolphus Hotel is managed by John B. Kirk, formerly the general manager of the Hyatt Regency in Phoenix.

Sheraton challenges the independents

Stephen Peeck

BOSTON—One of the leaders in establishing hotel restaurants competitively with independent restaurants is Sheraton.

"We're positioning restaurants almost as if they were freestanding," said Stephen Peeck, food and beverage vice president for the North American division.

"It has an impact on our occupancy levels and particularly on our group business market," he said. "And it supports our rate structure."

Sheraton's program revolves around what it calls "signature" restaurants, facilities that are tailored to local tastes and marketed independently. Nineteen are now in operation four years after the strategy was launched.

"Most major hotels are in a market that requires a market restaurant," Peeck explained. "To answer that need, we create an individual restaurant with unique cuisine, service and a name."

"We tell the chefs, as we did when we were putting in Americus in the Sheraton Washington, 'This is your basic concept.' At Americus it was American cuisine. 'Here's your point of departure. Remember your continental training, but let's create a cuisine indigenous to the United States.' "

"If you're going to hire a top talent chef," he said, "you want to tap that talent."

One of the more celebrated "signature" restaurants is Apley's, named after a local fictional character, at the Sheraton Boston. Its design features art works from the local historical society and local dishes offered in a number of combinations.

When Peeck let his chef be creative at the Minneapolis Sheraton Ritz, he came up with a meat-stuffed strudel as a main course.

"Signature" restaurants work where one might not expect them to. For instance, Josephine's in the Sheraton Anchorage, where Northern Italian fare is offered, "there's a line outside the door for lunch," Peeck said.

The "signature" restaurants are slowly edging out the chain's Falstaff rooms and Cheshire Cheese restaurants, an old English style, which Peeck now considers dark and gloomy.

By upgrading top-market restaurants, Peeck can immediately realize a better profit margin. Check averages, he said, have been boosted up to 30% in some units and covers increased by up to 60%. "We're obviously scoring some local success," he said.

THE LODGING OUTLOOK

Chains find odds are good for hotel-casinos

Are casinos worth all the regulatory, financial and operations difficulties they sometimes cause for hotel companies? Consider:

- Hotel-casinos accounted for 41% of the 1980 pretax income for Hilton Hotels Corp. From 1971 to 1980, income from the company's two hotel-casinos increased fivefold.
- Holiday Inns, the nation's largest hotel company, expects that by 1985 more than 25% of its hospitality earnings will come from its casinos. Some analysts believe the estimate is too conservative and set the figure at 35%. Holiday Inns entered the gaming industry last year.
- Casinos were the largest contributor to 1980 corporate earnings of Playboy Enterprises Inc., generating $100.6 million in revenues. More than half the Del Webb Corp.'s total revenues come from gaming operations. Casino revenues account for 19.5% of Ramada Inns' revenues.

Casinos in hotels now account for nearly 10% of total lodging industry sales despite a softening of the domestic gaming market in 1980 and early 1981. That figure becomes even more impressive when it is realized that only two states, Nevada and New Jersey, permit casino gambling.

Total gaming sales in hotel-casinos are expected to reach $2.6 billion this year, according to the American Hotel & Motel Association and the U.S. Department of Commerce, compared to $2.1 billion last year and $1.5 billion in 1979.

Total lodging industry sales, according to the association, were $22.3 billion in 1979 and $23.8 billion in 1980 and are expected to reach $27 billion this year. If the second half of 1981 is as strong as industry experts believe it is, the projections will be on the low end of the scale.

The gaming industry in the United States is on the move. For years confined to Nevada, it has spread to Atlantic City, N.J. Based on its success there, several other states, including New York, Florida, Massachusetts, and Connecticut are studying the feasibility of legalizing casino gambling.

Atlantic City

Increased casino sales are due in part to the industry's rapid growth in Atlantic City. Resorts International, the city's first hotel-casino, opened in May 1978, but the seaside resort town now has eight gambling palaces and plans to add a ninth, Ramada Inns' Tropicana, before the end of the year.

Hotel chain executives, industry trade groups and gaming industry analysts forecast continued improvements in the domestic gaming industry in the next few years, even though they are mindful of what a recession or outside factors such as gas shortages can mean for business.

These same experts are aware, too, of consumer sensitivity to higher prices for lodging and travel, the regulatory difficulties encountered by some hotel companies in New Jersey and the problems many firms have securing financing for construction and expansion projects. But they feel gaming is more insulated than other industries from the problems related to the nation's economy.

Holiday Inn
HOLIDAY CASINO
HOLIDAY CASINO
BACON'S 24 HR. TOWING

In Las Vegas business was off for all casinos in first half of 1981, but is expected to be up for the year.

"The future of Atlantic City is as bright as a beach on a sunny day," one analyst said earlier this year. Similar enthusiastic remarks are heard from industry experts in Las Vegas, where the gaming industry is showing signs of bouncing back from a softening of business in 1980 and early 1981.

The total gaming take in Atlantic City reached $634 million last year, when only three casinos were operating for the full 12 months, and are expected to reach $1 billion this year. Gaming revenues in Las Vegas reached $1.6 billion in 1980, compared to $1.4 billion the year before.

In the first major report on the domestic gaming industry, Laventhol & Horwath, the accounting firm, studied the 1980 operating results of 15 major corporations with a stake in United States' gaming industry. Casino operations revenues for these publicly owned corporations topped $2.5 billion last year, the report said.

Net income for those companies exceeded $380 million, up from $343 million in 1979, and total revenues were $5.1 billion, compared to $3.9 billion the year before.

The firms included in the study operate a total of 30 hotel-casinos in Nevada, Atlantic City and The Bahamas, as well as a casino and betting parlors in Britain. Some of those companies also operate businesses unrelated to gaming and the results from those operations were included in the net income and total revenue figures.

Income from operations for the 15 companies, which represent all income before Federal taxes and nonrecurring expenses, reached more than $620 million in 1980, compared to $594 million the year before.

LAS VEGAS AT A GLANCE

	1979	1980	Jan.-June 1981
Number of Casinos	50	60	60
Number of Hotel Rooms*	27,458	28,058	29,596
Number of Motel Rooms	17,737	17,987	18,287
Combined Occupancy Rates	80.9%	77.2%	77.8%
Total Gaming Revenues	$1.4 billion	$1.6 billion	$832.1 million

Source: *Laventhol & Horwath; Las Vegas Convention and Visitors Authority*

*Hundreds of hotel rooms were not available for several months of 1981 due to major fires at the MGM Grand and the Hilton in late 1980 and early 1981.

In Las Vegas, tourism suffered in the first five months of the year, continuing the weak performance that was noticed through most of 1980. Starting in May, however, tourism picked up considerably.

Overall occupancy rates at all motels and hotels in Las Vegas were 77.8% in the first six months of this year, down slightly from the 79% occupancy rate in the same period in 1980. Occupancy rates for the whole year in 1980 were 77.2%, compared to 80.9% in 1979.

"You might draw the conclusion that the average occupancy rate is down, but I wouldn't," Len Krick of Laventhol & Horwath said, explaining that if motels, which are not the first choice of most visitors to Las Vegas, are not counted, occupancy rates are "way above" the national average for resort hotels.

The lodging industry in Las Vegas, he explained, is also benefiting from the number of large conventions booked into the city for the second half of this year. Several major hotels have stepped up promotional activities since July and the Leonard-Hearns championship fight, the Grand Prix and other special events are expected to boost occupancy rates during the second half of the year, he said.

There are more than 60 casinos in Las Vegas, 10 more than there were in 1979. For the first half of this year, gaming revenues totaled $832 million.

Nearly 12 million persons visited Las Vegas in 1980, compared to 11.7 million in 1979. Through July of this year, 5.9 million persons visited the city.

Industry observers in Atlantic City remain optimistic about the future even though consumers have not been convinced that the town is a year-round resort. Last December, most casinos reported losses and several operators closed off blocks of

(Continued on page 88)

THE LODGING OUTLOOK

Some Atlantic City casinos have bad luck . . .

Planning, opening and operating hotel-casinos in Atlantic City, N.J., are not the easiest tasks in the world, as top executives from hospitality companies will attest.

Among the companies that have had serious difficulties at the New Jersey resort town are Ramada Inns, Caesars World and the Del Webb Corp. Here are summaries of their problems to date.

RAMADA INNS—The Tropicana, Ramada Inns' second hotel-casino, was supposed to cost $139 million. The final figure will be $330 million. Construction delays and cost overruns have plagued the project. The Tropicana was scheduled to open early in the summer; then opening day was scheduled for August. The hotel-casino must open before Dec. 31 to meet the filing deadline for a temporary state casino permit.

Ramada Inns, whose chairman, M. William Isbell, son of the company's founder, resigned as chairman and president this summer, refinanced the project on Sept. 9. Richard Snell, the new chairman, said the move would cost the company money now but improve its chances for future profits. Ramada has borrowed $200 million for the Tropicana.

Snell said Ramada Inns will report a 1981 loss of $26 million.

As Ramada Inns wrestles with its problems, it is awaiting the report of the New Jersey Division of Gaming Enforcement. In making its recommendation to the state Casino Control Commission on licensing, the division will take into account the company's problems in the preopening phase, a division spokesman said.

The division also is checking Ramada Inns' operating efficiencies at the Tropicana in Las Vegas where authorities are investigating reports of millions of dollars in thefts by employees and outsiders.

CAESARS WORLD—Caesars World has made tentative plans to sell most of its interest in the Boardwalk Regency hotel-casino. The company would retain control but there are reports that Caesars may abandon Atlantic City altogether.

The state has ordered Caesars to dismiss Clifford S. Perlman, the chairman, and Stuart Z. Perlman, the vice chairman, or sell the Boardwalk Regency. The commission charged the Perlmans with having ties to associates of Meyer Lansky, a reputed organized crime figure.

Caesars and the Perlmans have denied the charges and have appealed the commission's ruling to the State Supreme Court. Caesars board already has decided to offer to exchange 12.7 million shares of Caesars World's 13.7 million shares of Caesars of New Jersey Inc., the subsidiary that operates the Boardwalk Regency, for publicly held shares in the parent company.

DEL E. WEBB CORP.—The company and one of its executives have been charged with missappropriating client funds on a 1976 construction project in Nevada. A triai is expected before the end of the year.

Those charges led the New Jersey Casino Control Commission to refuse to issue a temporary casino operating permit to the Claridge hotel-casino until Webb relinquished its 50% controlling interest. Webb's investment in the hotel-casino—$26 million in equity and $63 million in loans made by Webb to the Claridge Management Corp.—has been turned over to an independent trustee pending the outcome of the criminal trial in Nevada.

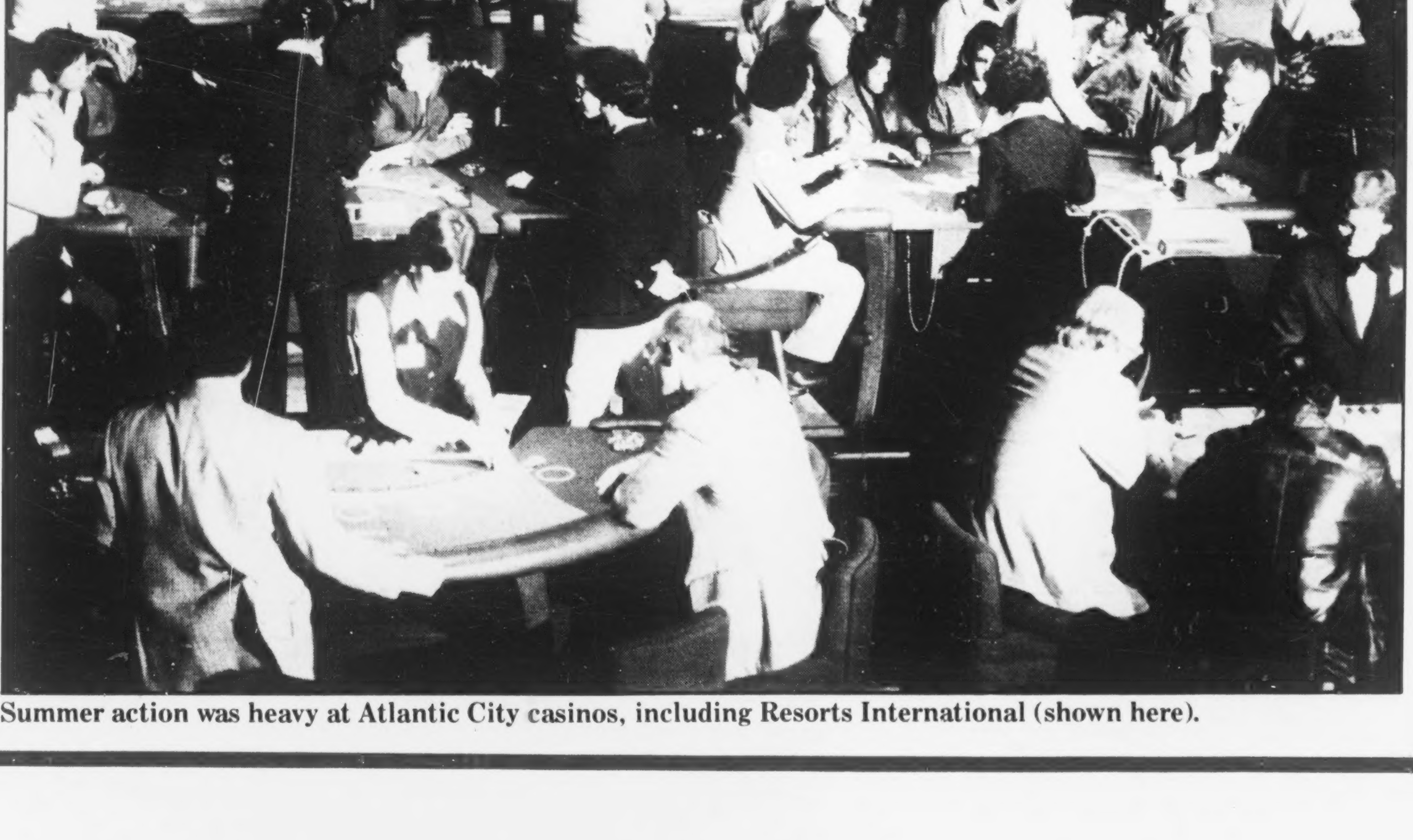
The temporary permit was finally issued after Webb backed out of the Claridge, at least temporarily, by selling its partnership interest in the project to Claridge Management Corp. No money has changed hands yet. If Webb's legal difficulties are resolved to the satisfaction of the state, the company will be able to reacquire its partnership interest by relieving Claridge Management of its purchase price indebtedness.

. . . but others keep playing despite the risks

A number of major construction and expansion projects have started or will start in the near future in Atlantic City. They include:

- Resorts International is building a 1,500-room hotel and convention center on the Boardwalk. It will be linked to the main Resorts hotel-casino. It is scheduled for late 1982 completion. Resorts, which expanded its casino last November, also plans to build another hotel-casino with 1,000 guest rooms as part of its $2.5 billion, 54-acre development which will include a hotel exhibit center, housing and a retail and office complex.
- Caesars Boardwalk Regency plans a $100 million expansion project which will add a 500-room tower and additional casino and convention space. The project has been delayed.
- Caesars World has won preliminary approval for its Caesars Palace hotel-casino project.
- Bally's Park Place has expanded its convention space once and plans to add another 12,000 sq. ft.
- Construction will start soon on the Trump Plaza hotel-casino adjacent to Convention Hall. The hotel will have 500 rooms.
- A 1,000-room Camelot hotel-casino is planned at the Marina, a development project 17 blocks from the Boardwalk. Holiday Inns' Harrah's hotel-casino opened at the Marina a year ago. Hilton and MGM Grand have postponed their own projects at the Marina.
- The Sands hotel-casino, owned by Inns of the Americas Inc., is slated for refurbishing and expansion.
- Ramada Inns' $300 million Tropicana, with six restaurants and large convention space, is expected to open before the end of the year.

The development of properties by Penthouse, Benihana and The Dunes have been delayed, according to the Convention and Visitors Bureau.



Summer action was heavy at Atlantic City casinos, including Resorts International (shown here).

For your information

DID YOU KNOW . . .

- 78% of all domestic lodging establishments had 50 rooms or less in 1980.
- 1.4% of all domestic lodging establishments have 300 or more rooms; they contribute 16% of the total number of rooms in the lodging industry.
- The top 25 hotel and motel chains operated 8,683 properties in 1980, a 12% increase over 1979.
- The average hotel in the United States has 128 rooms.
- Business travelers, meetings participants and Government officials accounted for 65% of all hotel guests in 1980.
- Business travel and convention business generate the bulk of all hotel earnings.
- Food and beverage revenues increased 5.9% in 1980. As a per cent of total lodging industry revenues, food and beverage revenues were 33.3%, down 1.2% from 1979. Expenses associated with food and beverage operations increased 6.1%.
- 36% of all lodging establishments posted decreases in income in 1980.

NRN FOCUS

THE LODGING OUTLOOK

HOW THE TOP CASINO OPERATORS ARE DOING

Operator (Number of Casinos and Hotel Casinos)	Gaming Operations Revenues 1980 (Millions)	Per Cent of Total Revenues
Bally's Park Place (1)	$208.3	100.0
Caesars (3)	441.7	85.2
Dunes (1)	100.8	85.3
Elsinore (2)	53.2	87.8
Greate Bay (1)	33.5	100.0
Golden Nugget (2)	52.0	90.6
Hilton Hotels (2)	251.6	43.7
Holiday Inns (4)*	201.1	13.1
MGM Grand (2)	307.1	100.0
Playboy**	100.6	27.7
Ramada Inns (1)	75.4	19.5
Resorts International (4)	342.5	91.4
Scott Corp. (1)	51.6	100.0
Showboat (1)	32.5	100.0
Del Webb (5)	254.3	52.3

Source: *Laventhol & Horwath*

*Holiday Inns acquired Harrah's Feb. 28, 1980; Harrah's Marina in Atlantic City opened in late November that year.

**Includes casinos and betting shops in Britain.

ANNUAL SALES AT CASINOS IN HOTELS

	1978	1979	1980	1981**
Gaming Sales (Billions)*	$ 1.2	$ 1.5	$ 2.1	$ 2.6
Total Lodging Sales (Billions)	19.2	22.3	23.8	27.0

Source: *American Hotel & Motel Association: U.S. Department of Commerce*

*Figures represent gaming operations sales only in hotels

**Projections

Chain executives are betting hotel-casinos will hit jackpot

(Continued from page 85)

rooms and shut their restaurants.

Convention business, even though it has increased since the advent of casino gambling, has not reached its potential because of the critical shortage of hotel rooms in Atlantic City. The tough state commission regulating the young gaming industry has forced several major companies to cancel or postpone their development plans.

High interest rates and the fact that most major lending institutions do not like to finance casino projects also have delayed some construction and expansion projects.

Despite these and other problems—major corporations have invested $1.5 billion in the city's gaming industry.

The nine hotel-casinos have a total of nearly 5,000 rooms. Construction has started on another 1,500 hotel rooms and ground will be broken before the end of the year on projects that will add 3,000 more rooms. Two existing hotels are planning to add a total of 1,250 rooms. (See accompanying article.)

G. Gerard Kauper, president of the Atlantic City Convention and Visitors Bureau, said that Atlantic City tourism is at its highest level in years. Kauper predicted that close to 400,000 persons will visit Atlantic City this year.

"An estimated $66 million of new money was injected into the Atlantic City area economy by some very high quality groups, many of whom are still growing and want to return but whose requirements call for additional meeting room and exhibit space to satisfy their expanding needs," Kauper said.

Expansion and renovation of the 52-year-old Convention Hall is "critical" to the city's future, Kauper said.

Atlantic City's demographics are highly favorable. About 53 million persons live within a 300-mile radius of the seaside resort, according to the Commerce Department. About 16 million persons live within that distance of Las Vegas.

Atlantic City's most pressing problem right now appears to be the need for additional hotel rooms. Though its potential immediate market is three times as large as Las Vegas', the city has only 5,000 rooms compared to Las Vegas' 30,000.

On the other hand, however, the New Jersey Casino Control Commission takes a slow and studied approach to the granting of licenses and other state and local regulations have delayed some projects.

In fact, Holiday Inns Inc., whose opening of Harrah's hotel-casino went smoothly, will not develop another parcel of land it owns in Atlantic City until the state relaxes some of its regulations.

"Despite the ongoing regulatory difficulties which made Atlantic City a very high cost place to operate . . . the market remains extremely strong," Mike Rose, Holiday Inns' chief executive, said. But, Rose added, Holiday Inns will not build another hotel or casino until the state eases up on some of its requirements.

Industry stressing safety

In an attempt to erase from the public's memory the disasters that have claimed the lives of hundreds of hotel guests in the last 12 months, the lodging industry is stressing safety in its public statements, advertising and employee training.

Fires at the MGM Grand and the Hilton hotels in Las Vegas and at the Stouffers conference center in Harrison, N.Y., killed 118 persons, injured hundreds more and caused millions of dollars worth of damages.

The collapse of an atrium walkway this summer at the Hyatt Regency in Kansas City, Mo., killed 112 persons and further blackened the industry's public image.

In the last 10 years, other serious fires at properties owned by the nation's top 10 hotel chains alone have killed 44 persons, injured 334 others and caused about $27 million damage, according to the *Wall Street Journal*. Industrywide, more than 800 persons have died in fires since 1971.

When the MGM Grand, the Hilton and the Kansas City Hyatt reopened, local officials and hotel spokesmen stressed the safety of the buildings. At the Las Vegas hotels, new safety systems have been installed and the reopening hoopla concentrated on new, safer building materials and new detection systems that had been installed.

In Kansas City, the Hyatt was declared safe by local officials. The four walkways that had spanned the atrium lobby were gone and the hotel had a new look. (The cause of the walkway collapse has not been determined.)

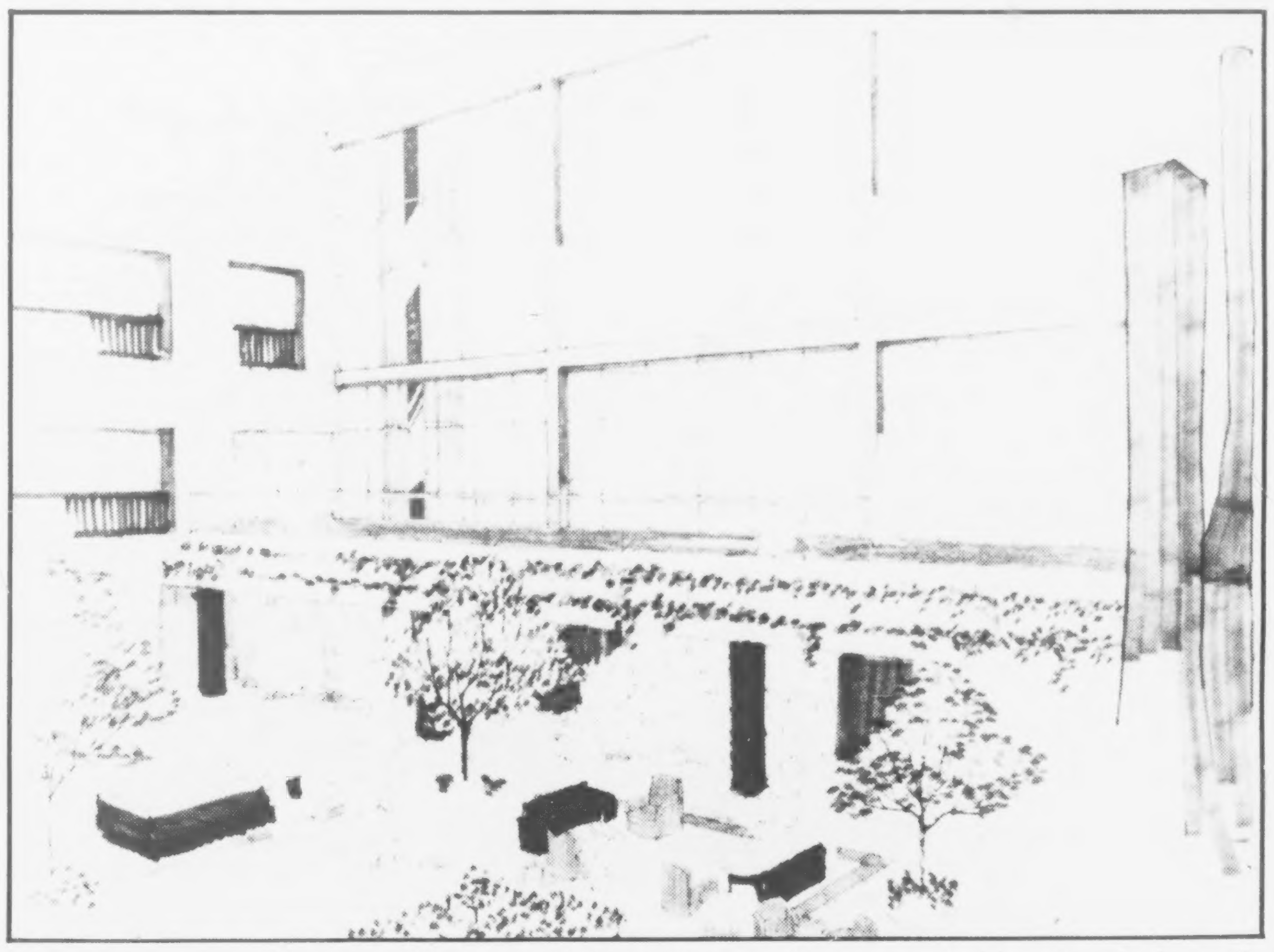
Across the country, hotels are letting the public and employees know that safety is a priority.

The Adolphus, a luxury hotel in Dallas that just underwent a $45 million refurbishing, has a new emergency alert system and smoke alarms and detectors in all hallways, public space and rooms.

Holiday Inns, the world's largest chain, has upgraded its fire-safety standards which, critics charge, have not been as stringent as they should be. The company has installed sprinklers in 75 company-owned hotels recently; 192 others already have them. Franchised hotels will be required to install sprinklers when renovations are undertaken.

By the end of the year, Holiday Inns will have installed smoke detectors in all hotel corridors. Most company-owned hotels and some franchised properties will install smoke detectors

Holiday Inns is directing the installation of fire doors in interior hallways in all hotels during major renovations; new hotels must have them. In addition, the company is considering making self-closing doors mandatory beginning next year.



Hyatt Regency Kansas City's new West Terrace is supported by 10 reinforced concrete columns, replacing the collapsed walkways.

The chain has doubled the number of company fire inspectors over the last three years. The inspectors are responsible for checking hotels for fire safety and familiarizing themselves with local safety codes.

In the last 10 years, 29 persons have died in 26 fires at Holiday Inns. The fires left 216 persons injured and caused $14.7 million in damage.

Between the years 1971 and 1981, 849 persons have died in 370 fires industrywide. Those fires injured 2,645 persons and caused $177.3 million damage.

Other chain hotels where guests have been killed in fires since 1971 include Hilton (9 dead), Best Western (2), Sheraton (4), Ramada Inns (3), and Howard Johnson (6).

NRN FOCUS

THE LODGING OUTLOOK

Hotels losing ground to soaring energy costs

NEW YORK—Astronomical energy costs continue to plague hotel and motel operators even as they make moves to cut their energy consumption. Energy costs increased a whopping 23% in 1980 but operators were able to reduce consumption by only 3.7%.

Oil industry deregulation earlier this year only added to miseries brought about by big energy price hikes in 1979. And there's little good news for the immediate future.

Higher and Higher

The best that can be expected in 1982 is a slower rate of energy cost increase. Pannell Kerr Foster, an accounting firm which reports on the lodging industry, forecasts a 10% rise in energy costs next year. The Hospitality, Lodging and Travel Research Foundation, however, believes the increase will be between 15% and 20%.

One thing is certain—energy is getting much more expensive and there's little relief in sight. Hotels and motels in the Mountain and Pacific States reported a 29.6% increase in energy costs last year. As a group, resort hotels reported the biggest jump—24.5%. Motels without restaurants had the smallest increase in energy costs—18.6%. Motels with restaurants paid 22.1% more for energy last year than in 1979 and transient hotels had a 23.6% increase.

A resort hotel in the United States paid $1,093 *per room* for energy in 1980. The per-room energy cost for motels without restaurants was $531 and for motels with restaurants $677.

Operators are fighting back, though. The Hospitality, Lodging and Travel Research Foundation, an affiliate of the American Hotel & Motel Association (AH&MA), reported that hotels and motels cut their energy consumption 3.7% in 1980, as mentioned earlier, and 24.2% since 1977.

The foundation based its figures on a survey of 323 hotels and motels conducted by its Energy Technical Center in San Antonio, Tex. The center has been studying energy usage since 1977 and submits its data to the U.S. Department of Energy as part of its voluntary energy conservation program.

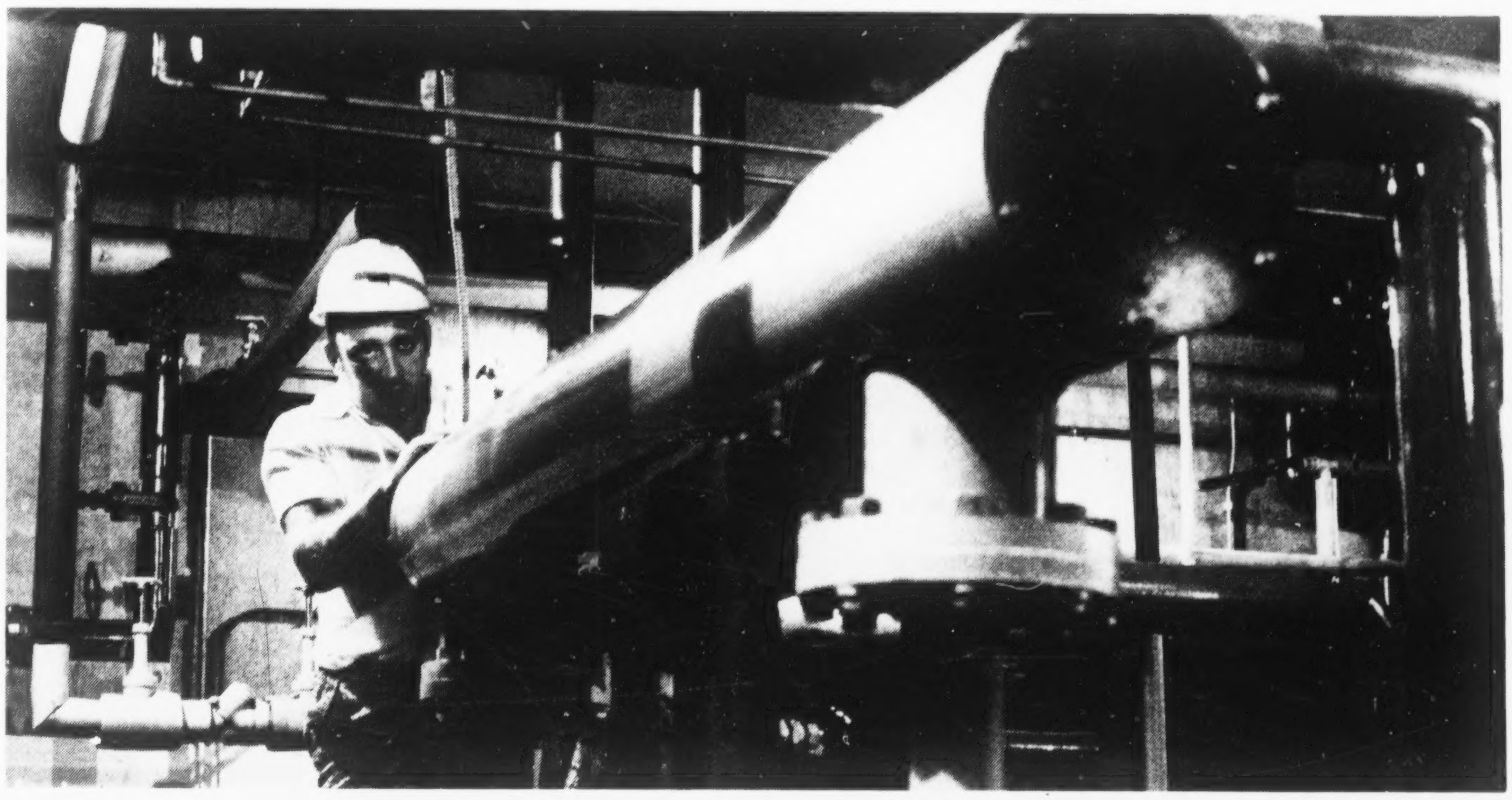
Despite "the hospitality industry's improvement in energy use over the past four years, the cost of energy has increased at an even greater pace," the survey noted.

The national average annual cost of energy per square foot was about $1.40 in 1980, compared to $1.08 the previous year. The report said the average cost of energy would increase at a rate of 15%-20% annually.

"Now more than ever, increased and effective energy management practices are essential to the continued growth and financial well-being of the hospitality industry," the report said.

Hotels and motels in the Midwest used the most energy and properties on the West Coast used the least, the report said.

The hotels and motels surveyed in the latest report are located in 39 states and the District of Columbia. The AH&MA said the properties were representative of its membership in size and geographic location.



Thomas Staub, Penn Harris Motor Inn chief engineer, inspects the electrostatic water treater that has eliminated the use of four water softening units at the facility.

The properties have 71,137 guest rooms and a total interior area of 40.3 million square feet.

The sample properties represent 4.4% of the total number of properties and 7.4% of the total number of rooms of the AH&MA membership as of last December.

The high cost of energy has led many operators to look for new equipment and new operations systems to cut energy consumption.

Thousands Saved

The Penn Harris Motor Inn in Harrisburg, Pa., for example, reports it has shaved thousands of dollars off its water treatment budget and electricity bills by installing an electrostatic water treater, a low-cost method of treating water without chemicals.

Three years ago, the owners of the 400-room property began to make arrangements to replace four existing 121-gal. salt regenerated softeners with one electrostatic water treater. All four of the water softening units were in line with the incoming water main.

The system is now in place, and Thomas Staub, the hotel's chief engineer, said the results have been "dramatic."

When Staub was first investigating the feasibility of the new system, he was told by a local consultant the cost of replacing the existing four water softeners ($12,000), plus the annual projected cost of salt (nearly $9,000), were reasons enough to try the new concept.

Staub said the electrostatic water treater cost $4,800. The Penn Harris Motor Inn is realizing an annual savings of between $15,000 and $20,000, he said.

THE RISING COST OF ENERGY*

Types of Property	1980 Cost Per Room	Per Cent Increase From 1979
Resort Hotels	$1,093	24.5%
Motels With Restaurants	677	22.1
Motels Without Restaurants	531	18.6
Transient Hotels	—	23.4

Source: *Trends in the Hotel Industry* (Pannell Kerr Foster)

*Pannell Kerr Foster tracks 800 hotels and motels in the United States for its reports on the lodging industry. Energy costs at those 800 properties rose 23.4% in 1980 to $187.9 million.

ENERGY USE IN HOTELS AND MOTELS

	1977	1978 vs. 1979 (Same Properties)		1979 vs. 1980 (Same Properties)	
Number of Properties	210	284	284	323	323
Number of Rooms	59,648	68,911	69,368	70,311	71,137
Total Square Feet (Millions)	42.6	40.4	40.8	39.8	40.3
Total Energy Use (Trillions of Btu)	7.7	6.2	5.9	5.7	5.6
Btu/Sq. Ft./Year	181,685	153,308	143,977	143,055	137,801

Source: *Hospitality, Lodging and Travel Research Foundation*

Days Inn launches DayBreak to compete with fast-food chains

ATLANTA—While luxury-priced hotels battle upscale elegant restaurants for market share, Days Inn is battling the fast-food chains.

To catch guests before they set out on the road in the morning, Days Inn, the 320-unit chain, has stopped building Tasty World restaurants, which offer full menu and full service, and are instead building DayBreak restaurants, a low-labor, fast-service concept with counters abutting banquettes akin to Friendly's.

"Yes," admitted Tom Soldo, food and beverage manager for the chain, "we have to be very aware that there is a McDonald's up the street that is serving breakfast."

So far, 19 DayBreak restaurants are in operation, plus one that is franchised, and six are in the planning or construction stages, Soldo said.

The concept was announced in 1978, but development of the new restaurants was stalled when Days Inn cut back, during the 1979 gasoline shortage, on new construction.

The menu of DayBreak revolves around eggs, reflecting its breakfast orientation. The prices are just slightly higher than fast feeders.

THE LODGING OUTLOOK

Foreign-owned hotel chains continue expansion in U.S.

Lured by the United States' relative political and economic stability, foreigners have invested over $2 billion in America's $23 billion lodging industry, according to 1980 U.S. Commerce Department estimates.

Last year Great Britain's Imperial Group Ltd. purchased Howard Johnson, the 60,000-room motel chain, for about $630 million in cash. After a year of assessment, the chain is reportedly ready to launch a new marketing strategy.

Trusthouse Forte Ltd., another British conglomerate, plans 25 new luxury hotels in the United States under the Excelsior banner by 1985. It already owns 96% of TraveLodge, a 520-motel chain.

France-based Novotel, one of the fastest growing chains in the world, is aiming at the upper-midpriced market in the United States with 10 medium-sized hotels planned for suburban areas in the next four years. Its prototypical L'hotel Sofitel in Minneapolis boasts food and beverage sales in its French-styled restaurants that outstrip room sales.

Club Med, the unique resort chain, recently established an outpost in Colorado and has plans for further American development. The Four Seasons group from Toronto controls six luxury hotel properties in the United States and plans four more by 1982.

Among the airlines, searching for haven from an industry up in the air, Aer Lingus owns the Dunfey chain with 22 United States properties, Air France owns Meridien Hotels with three in the United States, and Swissair, through the Swissotels subsidiary, has one hotel in the United States.

But foreign investors are not only interested in independent projects. Foreign investment in major American hotel chains is also on the rise.

Foreign investors are already financing Marriott hotels overseas in such cities as Amsterdam and Athens and the Middle East. A Marriott spokesman recently told a magazine writer: "We expect them to be increasingly interested in financing Marriott hotels in the United States."

Foreign investors own sizable chunks of Sheraton's Hawaii, Pacific and Far East division. In Sheraton's franchise division, seven of the 284 properties are owned by foreign investors.

Before 1979 foreign investment in United States hotels was spotty. Between 1967 and 1977, the volume of foreign investments in all United States industries increased 344%, mostly in nonlodging real estate and manufacturing.

But last year $2.7 billion was invested by foreign concerns in United States real estate. That was more than half of the year's total foreign investment. Government figures on exactly how much of that $2.7 billion was in the United States lodging industry are incomplete, but over half of all the real estate transactions were in deals for more than $10 million.

The single biggest transaction last year was the takeover of Howard Johnson. The Imperial Group had banked cash reserves from several America divestitures the year before and had been in the market for a new acquisition for some time.

America represents the last frontier to many foreign hotel chains. Until recently a weak United States dollar made property here a bargain for foreign investors. And though the dollar has gained weight, development plans of foreign firms show no sign of abating.

European investors are far more accustomed to inflation and how to cope with it, experts say. Management contracts, for instance, have been a common practice in Europe for decades because mortgage money has long been scarce. The management arrangement, on the other hand, is a relatively new device in the United States.

Real estate has inherent value, speculators agree. In addition, demand is inelastic enough that hotels can ratchet up room rates, especially in the luxury class, to keep pace with inflation. So foreign investors see a steady income insulated from economic shocks.

Foreign investment also demonstrates a confidence in the United States political and economic system. "It's one of the last bastions of free enterprise," one executive of a foreign firm said.

TOP WORLDWIDE LODGING CHAINS

(Based on 1980 Figures)

Chain/Nation	Number of Properties	Number of Rooms
Holiday Inns/U.S.A.	1,755	303,578
Best Western/U.S.A. +	2,761	207,299
Sheraton/U.S.A.	418	107,966
Ramada/U.S.A.	635	94,000
Friendship Inns/U.S.A. +	1,080	78,500
Trusthouse Forte/Britain	810	72,299
Hilton Corp./U.S.A.	203	71,804
Federation Nationale/France +	4,345	71,711
Supranational/Switzerland +	370	70,000
Howard Johnson/U.S.A.	521*	59,000*
Golden Tulip/Netherlands +	350	55,000
Balkantourist/Bulgaria	684	51,443
Flag Inns/Australia +	652*	50,000*
Days Inn/U.S.A.	315	44,000
SRS Hotels/Germany +	159	43,900
Quality Inns/U.S.A.	350	41,415
HRI/U.S.A. +	145	40,000
Club Med/France	132	36,333
Novotel/France	283	35,214
Hyatt Corp./U.S.A.	58	34,000

Source: *Service World International*, June 1981

*Estimated

+Consortium

French firm targets growth at upper-midpriced market

MINNEAPOLIS—L'hotel Sofitel here is the prototype for 10 hotels the fast-growing Novotel chain plans for the United States by 1985.

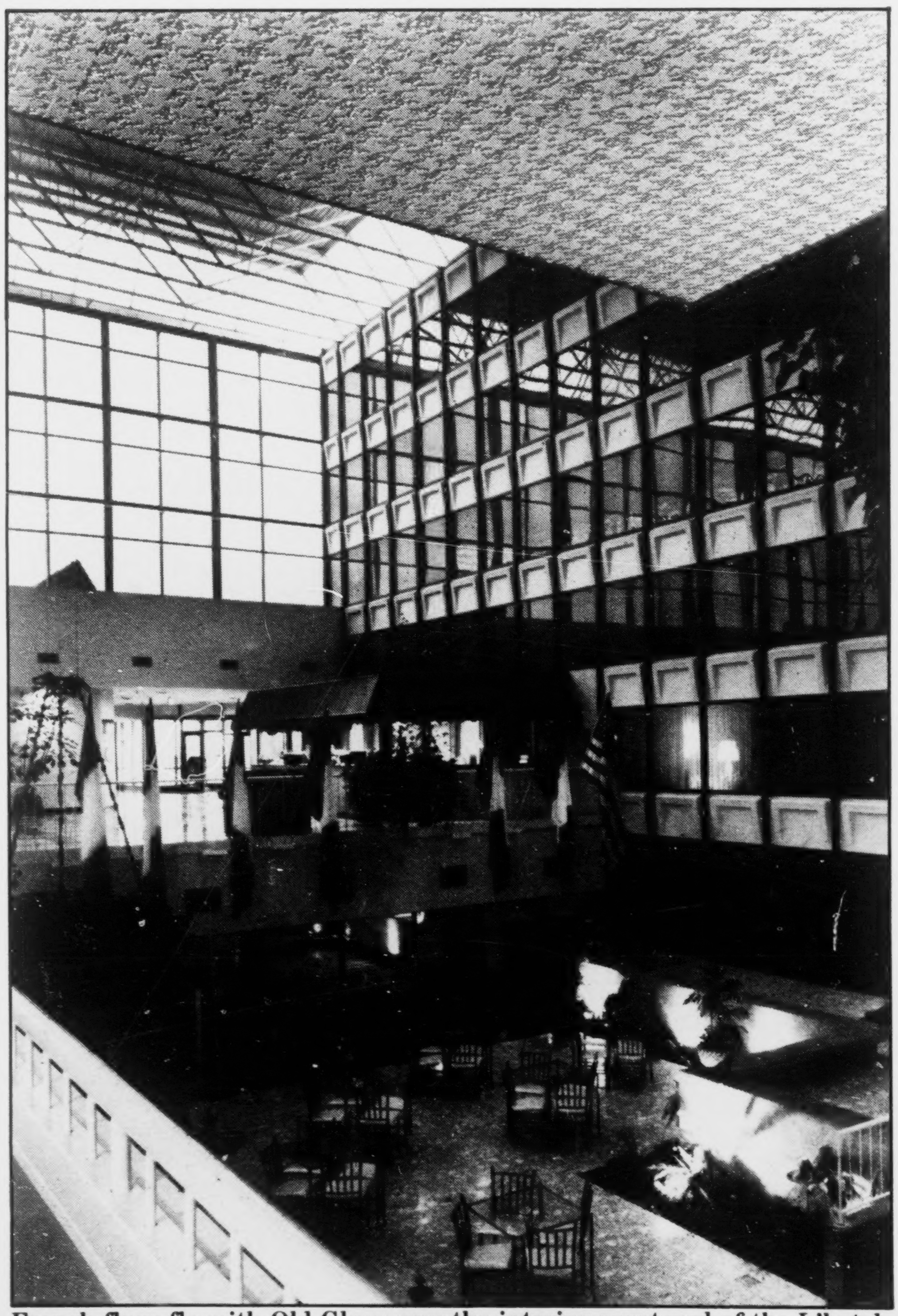
It is purely French. The switchboard answers, "Bonjour. L'hotel Sofitel." And it has three French restaurants that out-sell the rooms division. Food and beverage sales accounted for $7 million last year, while rooms accounted for $5 million, according to Cindy Johnson, director of catering at the 300-room hotel.

Novotel began in 1968 with a 60-room inn in the French industrial city of Lille. After three years, under the direction of co-chairmen Paul Dubrule and Gerard Pelisson, the private firm was expanding at the rate of 25 hotels per year.

The chain now has about 340 properties with over 35,000 rooms in 25 nations. Novotel's strategy in the United States, according to Philippe Bourguignon, executive vice president, is to fill a niche between luxury convention facilities and mid-priced roadside motel-hotels.

"It is a niche that is just starting

(Continued on page 98)



French flags fly with Old Glory over the interior courtyard of the L'hotel Sofitel in Minneapolis, owned by Novotel of France.

NRN FOCUS

THE LODGING OUTLOOK

Plaza of the Americas in Dallas is one of the American properties managed by Trusthouse Forte Ltd. of London.

Shackled by financing costs, chains seek new alternatives

Hotel chains, pinched like others by stratospheric money costs, are turning to alternative methods to effect expansion.

Instead of financing new construction on their own, they are increasingly turning to long-term management contracts for growth.

"Hyatt, Marriott and Westin are the three most progressive chains in using the full range of devices," asserted Larry Stephan, a professor of marketing at Michigan State University's School of Hotel, Restaurant and Institutional Management.

Hyatt, owning few hotels outright, is mainly a management company. At the new Hyatt Regency Savannah, for example, the seven-story structure is owned by local investors.

Eight of Westin's 23 United States properties are managed. Another five are leased. Half of Radisson's domestic sites are managed. Marriott has about 80 United States properties and while most, by 2 to 1, are franchised, the rest is split almost equally between company-owned and -operated and managed only.

Hilton Hotels was the first, in the late 1960's, to make extensive use of the device. Today 165 of its 213 domestic properties are managed.

Among big budget-chains Trave-Lodge is the most extensive user of joint venture agreements. Half of its 500-plus motels have been developed and are being operated this way.

"The trend is much more toward managing or franchising situations as opposed to equity ownership," Stephan observed.

High Rollers

Insurance companies and pension funds are the high-rollers these days, experts agree. As the foreign investors have found, hotel room rates can be easily adjusted for inflation so a steady cash flow is insured.

The specifics of management contracts can be almost infinitely varied. An agreement can be for 99 years, but most are renewable after 10 years. The management company can charge a flat fee and a percentage of gross revenues or profits, or any combination.

Franchising has been used mostly in the motel segment, where quality standards are less strict. But franchisees are also turning to creative financing to build.

French firm hones in on U.S. market

(Continued from page 96)

to be filled," Bourguignon said in an interview at The Roosevelt in New York, which was purchased last year by Pakistani Air Lines and is managed by Novotel. He noted that Marriott, Holiday Inns and, lately, Ramada Inns have all targeted the upper-midpriced market for expansion.

The architecture of Novotel's prototypical L'hotel Sofitel in Minneapolis is simple. The interior is arranged around a large airy atrium. Guest rooms on three sides look down into the lobby, which has a recessed level where a patio outlines a swimming pool.

The restaurants at L'hotel Sofitel have made the hotel's local reputation. "It's what keeps us in business and our occupancy high," Johnson said.

The three restaurants represent the diversified market strategy that has overtaken the American hotel industry since the days of one coffee shop and one dining room were abandoned. Le Cafe Royal is the main dinner facility, decorated with chandeliers and gilded walls. Chez Colette serves provincial fare in a less formal setting. La Terrasse is a sidewalk-type cafe and bar open 24 hours. La Patisserie is the retail outlet for breads and pastries baked in the hotel kitchen.

"The French touch really comes through," noted Bourguignon. "More than 50% of the restaurant clients are local, not guests."

"We used to be in the hotel business," he quipped, noting the high food and beverage sales. "But in the United States we are in the restaurant business."

Novotel is shying away from huge convention hotels, Bourguignon said, in favor of smaller buildings.

The Houston L'hotel Sofitel is due to open next summer. It features a low profile with separate entrances for the restaurants so, "You would hardly know it's a hotel," Bourguignon asserted.

Deals have been closed in Atlanta, Chicago and Miami for new L'hotel Sofitels. In New York, Novotel seems ready to sign an agreement for a new 500-room hotel in midtown Manhattan. Room rates would be about one-third lower than prevailing luxury rates, he said.

"The smaller size of the hotels," Bourguignon said, "means we can charge lower room rates. And without convention facilities the ratio of staff to guest can be higher. It's easy to develop a deluxe hotel where your costs are higher because you can charge whatever you have to. We're not doing the easy thing."

L'hotel Sofitel in Minneapolis has three French restaurants which outsell the rooms division. More than 50% of the patrons are local, not hotel guests. The formal Le Cafe Royal (right) is the main dinner facility; while Chez Colette (left) serves provincial fare in a more casual setting. There is also a 24-hour sidewalk-type cafe/bar, as well as retail outlet for breads and pastries.

C5150-5

21-47224- 1 9109902 R
101915213
CONGRESSIONAL INFO SVC INC
JOHN.KENNEDY/STI ACCQ ED
EAST-WEST HWY/STE#800
DC 20014

PROFILE: WARREN ROSENTHAL

The force behind Jerrico's success—Page 25

Nation's Restaurant News®

The Newspaper of the Food Service Industry

Vol. 15, No. 24 Published every other Monday, 25 times a year, by Lebhar-Friedman Inc.; $2 a copy, $15 a year November 23, 1981

BK strategists map major offensive

Burger King chairman and ceo Louis Neeb leads the way in the chain's effort to reverse a mediocre fiscal 1981.

New ad thrust spearheads push to boost market share

By Roman Czajkowsky

HONOLULU—In a major repositioning effort, Burger King is about to replace its scatter-gun "Make it special" advertising approach with a new campaign that stresses product "quality."

Keyed to the theme, "Aren't you hungry for Burger King now," the campaign is the linchpin of an overall strategy that executives hope will establish the Pillsbury subsidiary as the industry's "quality chain" and, more immediately, prevent another ho-hum performance like that in fiscal year ended May 31, when average unit sales increased a mere 2.6% over the previous year.

Details of the strategy were unveiled by top Burger King executives at a franchise convention in Honolulu late last month.

They add up to what is Burger King's first major push to build market share since Lou Neeb replaced Don Smith at the helm of the 3,200-unit hamburger chain in 1980. The strategy also sets specific growth goals, including:

- An increase in average store sales by 12% in each of the next three years over the $728,000 average posted in fiscal 1981. That would push Burger King over the $1 million mark by the end of 1983.

(Continued on page 53)

Victoria Station eyes end to financial woes

By Charles Forman

LARKSPUR, Calif.—With profitable first and second quarters behind it, Victoria Station is at least half way to making a break with two years of red ink.

Nonetheless, the chain of railroad-motif restaurants has still not entirely solved some underlying problems.

For the second quarter ended Sept. 13, the company reported profits of $391,000 vs. a loss of $1.6 million for the same period a year earlier. Sales for the period were down 8% to $30.4 million.

For the first half, profits were $1.1 million compared to a loss of $2.8 million for the first two periods of fiscal 1981. Sales for the first half were off 4% to $60.4 million.

The question now is whether the management team that stopped the fiscal bleeding has medicine in its bag to restore the patient to its former robust health.

Latest efforts include a push for group business, decor and lighting changes, and a lunch menu that is in test in 10 units.

Ray Newberry, a regional manager and former Steak & Ale employee, replaced Carlos Garcia not long ago as director of operations for the company's 52 restaurants in the western United States.

These moves, aimed at long-term core problems, tend to confirm that for this operator of 98 theme restaurants, still struggling with flat customer counts, lackluster unit sales and a concept whose appeal time may have diminished, the real turnaround effort is just beginning.

Terrance Collins

Assigned to bring the ailing chain back to peak form are Terrance Collins, who left General Foods' Burger Chef in February after four years as president, to become Victoria Station's president and chief executive officer March 1, and Paul Sheppard, executive vice president since August 1980 and chief operating officer since February of this year. In May Collins added the chairman's mantle.

If the current fiscal year ends profitably for Victoria Station, the Collins-Sheppard management team will take credit for bringing the company back from losses of $6.3 million in fiscal 1981 and $1.3 million in fiscal 1980.

(Continued on page 54)

Host nears accord on DFS takeover

By Rick Telberg

SANTA MONICA, Calif.—Host International has agreed in principle to a $117 million cash takeover offer from DFS Group Ltd., the firm whose hold on the Honolulu duty-free retailing market Host failed to break.

DFS is a Hong Kong corporation privately owned by four Americans that operates duty-free shops at foreign airports. With sales last year of $500 million, it is a leading duty-free retailer.

Facing a decline in air traffic, Host last year showed a 12% drop in profits to $14 million. For the first nine months of this year, profits are down 79% to $2.3 million while sales are up 13% to $300 million.

Host has attributed a major portion of the recent setbacks to its failed attempt to wrest from DFS the retailing market at Honolulu airport.

From 1962 until last year, when the Hawaiian legislature opened the Honolulu airport concession to competitive bidding, DFS monopolized the Honolulu duty-free shops.

Host won a contract to compete directly with DFS, but never garnered more than 10% of the market. Host had projected $2.5 billion in sales for the 7½-year contract, but in September it pulled out, paying Hawaii $2.6 million to break the deal with more write-offs to come.

The DFS-Host merger is the latest in a spate of acquisitions.

- Shoney's Inc. acquired the 117-unit, franchised Famous Recipe fried chicken chain.
- Negotiations continued between International Dairy Queen and the 220-unit Golden Skillet fried chicken chain.

(Continued on page 53)

3rd-quarter disaster triggers speculation

Losses mounting at Sambo's

By Charles Bernstein

CARPINTERIA, Calif.—Sambo's suffered a stunning $13.1 million net loss for its third quarter ended Oct. 1—a quarter that normally is the most profitable for this segment of the business. It compares with a $2.3 million net loss for the same period last year.

Losses for the first nine months mounted to $29.8 million, compared with $9.35 million for the same period last year. Revenues were up 2% to $125 million for the third quarter but down 1% to $368 million for the nine months.

One reason for the heavy losses, even with overhead having been trimmed, could be the sharp price cutbacks and specials which have boosted lagging traffic somewhat but apparently have cost heavily in profit margins.

The worsening losses touched off speculation as to what action could be taken by City Investing, which has a controlling interest in Sambo's through a GDV subsidiary that City is trying to completely acquire.

It is highly significant that of the two new City Investing directors named to a restructured reduced five-person Sambo's board, one is an asset disposition expert and the other is a financial specialist. They are respectively Frank Moothart, a Los Angeles-based City Investing vice president, and John Quirk, corporate treasurer of New York-based City Investing.

One course of action open to Sambo's is to sharply cut back the chain by selling off units and trimming down for a concentrated effort in the West.

(Continued on page 54)

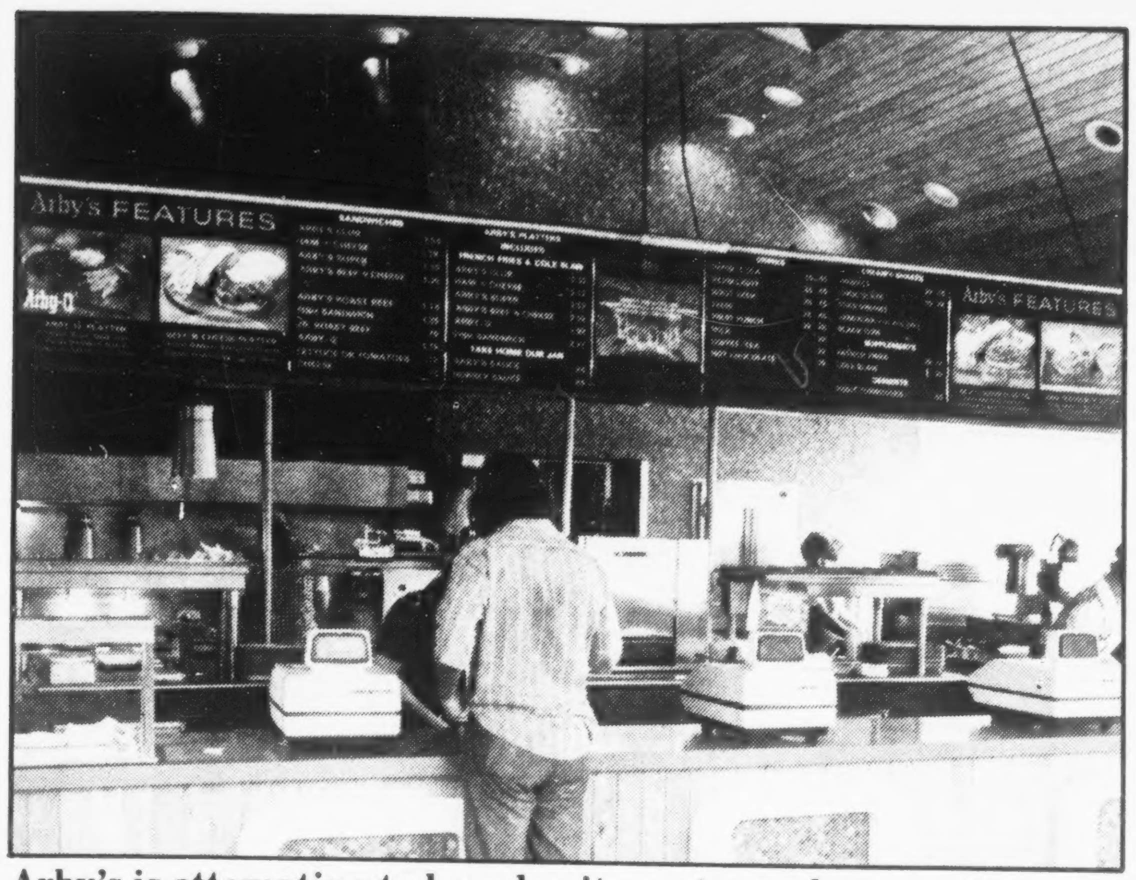
LATE NEWSBREAKS

G. Michael Hostage, chairman and president of ITT Continental Baking and former president of Marriott's restaurant group, will replace Howard B. Johnson as chairman and president of Imperial Group's HoJo Co. (Full details, next issue.)

Sambo's has shut an undisclosed number of unprofitable restaurants in Michigan, Ohio and Kentucky, as the start of what administration vp Arthur Dowd termed a "streamlining plan." (Earlier story, this page.)

McDonald's has launched a dessert center test to gain extra sales in front of a handful of restaurants. At the same time McD plans to widen its Chicken McNuggets "test" which has shown successful results and to attempt refinements in the Chicken McNugget sandwich after scrapping the chopped beefsteak sandwich. Testing of a McRib barbecue pork sandwich is being accelerated.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0028-0518) Second Class Postage Paid at New York, N.Y., & Additional Mailing Offices



Arby's is attempting to broaden its customer base, testing new menu items.

Deli sandwiches to broaden appeal

Arby's experiments with new menu items

By Susan Spedalle

ATLANTA—Arby's company-owned and -franchised units are currently expanding tests of deli specialty sandwiches in several markets in an attempt to add more women, children and families to the company's now predominantly male customer base.

The markets now using the new submarine, french dip and cold ham and cheese sandwiches are Cincinnati, Pittsburgh, Grand Rapids, Mich., San Diego and some New York City units, according to Larry Krueger, senior vp of marketing and president of Arby's Franchise Assn. Service Corp.

Sources said another sandwich, a Hat-of-beef, which is a small roast beef sandwich with ketchup, mustard and pickles selling for 55¢, may roll out chainwide next year. The Hat-of-beef is currently in test in five United States markets.

The chain is looking at a limited testing of breakfast "down the road," said Krueger, but other sources have admitted that a breakfast program has been initiated by some franchisees, most notably in the New York area.

"We are looking at new products as an evolution, not a revolution," Krueger said, but added that he is "concerned to a certain point" about diluting Arby's' image. Most of the sandwiches are derived from the roast beef sandwich.

Krueger said Arby's will shy away from couponing in the future, favoring a more "rifle shot" approach, used recently in the national "Happy Beef Day" promotion, in which the chain sold roast beef sandwiches for 79¢ and promoted heavily on network television.

Krueger said Arby's plans to open 150 new units next year, but calls the figure "optimistic," expecting most of the growth to come from franchisees. Company-owned stores will be busy solidifying their image, he said.

The New York breakfast, served from 6 to 10:30 a.m., includes a ham and egg sandwich and a bacon and egg sandwich, selling for $1.07 each. Pancakes for $1.29, scrambled eggs and bacon for $1.49 and english, corn and bran muffins for 43¢ each are also being offered. French toast was in one unit, but discontinued in another. One unit spokesman said the store has been serving breakfast since the unit opened a year ago.

Gino's renews negotiation with Marriott Corporation

KING OF PRUSSIA, Pa.—Gino's confirmed it has been holding discussions with the Marriott Corporation concerning the possible acquisition of Gino's.

The hamburger and steakhouse company said there was "no assurance that a transaction will result from these discussions." A Marriott spokesman said "nothing substantive has been agreed upon" so far.

Gino's operates 313 Gino's hamburger and Kentucky Fried Chicken restaurants, 113 Rustler Steak Houses and 43 KFC take-out stores.

Marriott's restaurant group includes Big Boy and Roy Rogers Family restaurants.

Shopping mall developer plans to purchase A&W

By Donald Frazier

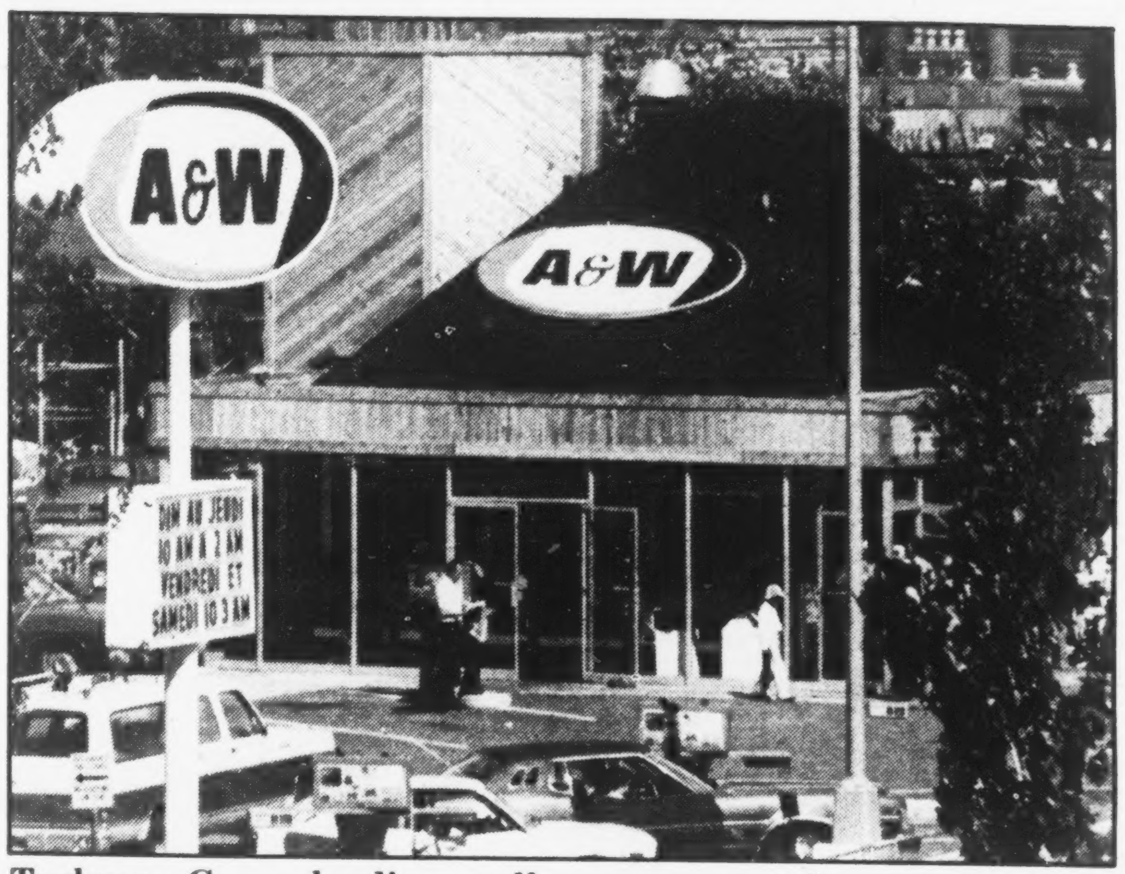
SANTA MONICA, Calif.—United Brands is negotiating sale terms for its 1,100-unit A&W chain to a shopping mall developer.

Finalization of the chain's sale to the Taubman Co. of Troy, Mich., was likely to be made shortly, a United Brands official said at presstime.

Alfred Taubman, chairman of the Taubman Co. and a member of the United Brands board, declined comment on the sale beyond confirming that negotiations are taking place.

The sale comes at a time of financial gloom at A&W's parent company. United Brands suffered an $11.9 million loss for the first quarter, ended Sept. 30, when sales slipped 6% to $936 million. The company's net profit for the fiscal year ended June 30, had dropped 5% to $29 million.

The last several years have been stagnant for A&W, whose net profit has hovered at perhaps $1 million a year. One company official attributed this to United Brand's refusal to financially support the chain's expansion and marketing efforts in recent years.



Taubman Co., a leading mall management firm, is trying to acquire United Brands' A&W chain.

But the Taubman group, he added, is apparently contemplating a major investment in the chain.

All of the redesigned A&W units built in recent years are in Taubman-operated malls. The Taubman Co. is one of the country's leading mall management concerns, operating 22 malls containing more than 28 million sq. ft.

The sale of a large restaurant chain to a shopping mall operator would be a unique development. One A&W official speculates that a Taubman-owned A&W chain might limit its major expansion to shopping malls.

Franchisors fear Senate bill

WASHINGTON—A Senate bill that would permit franchisees to veto competitors within a 100-mile radius is a serious threat to fast-food franchising, according to Bruce Cotton, Jerrico vice president for public affairs.

In statements before a Senate subcommittee Cotton said the bill, if enacted, could lead to "dealer cartels."

Testifying on behalf of both Jerrico (which operates Jerry's restaurants and Long John Silver's Seafood Shoppes) and the International Franchise Association (IFA), Cotton warned that the bill, although not aimed at the fast-food industry, could in fact "regulate the franchise relationship of most IFA members, including my company."

He added that the "restraints upon establishments of new franchises or dealerships would establish a very radical and disagreeable precedent for franchising."

The new bill, the "Retail Dealers Agreement Act," was proposed principally to help office machinery dealers who complained to the Senate Subcommittee on Business, Trade and Tourism about unfair manufacturer quotas and manufacturer arrangements with competing dealers. However, Cotton and Loren Steele, executive vp of Super 8 Motels, told the subcommittee that they feared the bill spilled over into nearly all franchising agreements.

Broad phrasing in the bill, Cotton noted, defines a "dealer" as any entity or person "engaged in the business of selling the product of a supplier to consumers or other end-users in any office or business environment."

He added that the bill "must be narrowed to apply exclusively to the office machinery industry."

Citing in a memo a number of technical problems as well as the "dealer cartel" concept, the IFA called the bill "one of the most far reaching proposals ever presented as regulation of distribution relationships."

The legislation is being pushed primarily by Sens. Larry Pressler (R-S.D.) and James Exon (D-Neb.).

Small operators may face shrinking food supplies

WASHINGTON—Small- to medium-sized restaurants could find their food-supply sources gradually choked off over the next 10 years, if the conclusions of a new Government-sponsored marketplace forecast prove to be on target.

The projections, contained in a research study prepared for Federal Trade Commission antitrusters, warn that large supermarket chains will launch aggressive vertical expansion programs during the mid- to late-1980's.

Unless this acquisition campaign is checked by Federal antitrust enforcers, the FTC study suggests that many independent food processors and distributors who now supply restaurants may wind up captive sources for supermarket giants such as Safeway, Kroger, A&P and Grand Union.

Among the other predictions contained in the commission's new long-range forecast for food marketplace competition:

- There will be a steady erosion in the purchasing power of the "average food consuming household" due to a near total lack of growth in "real" (after tax) disposable income.
- "The battle for this almost nongrowing or perhaps even decline of discretionary income will become 'brutal' as alternative goods compete."
- "Price increases will therefore be increasingly harder to

(Continued on page 54)

HIGHLIGHTS IN THIS ISSUE

Warren Rosenthal has nearly single-handedly lifted Jerrico from obscurity into one of the most consistent growth companies in America. In this issue, *NRN* presents an in-depth profile of the man behind Jerrico's success. *Page 25*

Major airlines are battling each other for more passengers, offering marketing gimmicks beyond ordinary bounds. Editor Charles Bernstein views this practice as an unsatisfactory substitute for service. *Page 6*

Attracting a drinking crowd without a liquor license calls for merchandising tricks and imagination. Wine columnist Mort Hochstein visits Marty's, a Los Angeles restaurant that has increased its bar business to 30% of sales without serving liquor. *Page 40*

State legislatures have enacted a wide range of new laws, which may have an effect on the food-service industry. *Page 14*

The National Restaurant Association is vigorously campaigning for an energy tax credit for restaurants. *Page 16*

Annie's Santa Fe is bucking the madcap expansion trend of Mexican dinnerhouses, opting instead for a cautious growth strategy. *Page 11*

Needham, Harper & Steers, McDonald's former advertising agency, has failed to lure a major restaurant chain into its camp. *Page 11*

Thai food is becoming more acceptable to the American palate and consequently Thai restaurants are opening in record numbers, especially on the West Coast and in metropolitan Northeastern cities. *Page 30*

When Lynn Danner became director of Danner's restaurant division, the division was facing liquidation. Now, they are bouncing back. *Page 22*

REGULAR FEATURES

Financial .... *Pp. 4, 5*
Opinion .... *P. 6*
People .... *P. 12*
New Products ...... *P. 34*
Classifieds .... *Pp. 44-52*

NATION'S RESTAURANT NEWS
(ISSN 0028-0518)
Published by Lebhar-Friedman Inc.
425 Park Ave., New York, N.Y. 10022
All Correspondence to:
Editorial Offices:
425 Park Ave., New York, N.Y. 10022
Telephone: 371-9400
Cable: LEBHAFRIED

Published biweekly—every other Monday, monthly in December. Subscription rate $15 a year, $28 for two years. Single copy rate $2. Outside U.S.A.: Canada, $16 a year, $30 for two years; Foreign subscriptions (air mail only) $100 per year. Second class postage paid at New York, N.Y., and additional mailing offices.

Copyright © 1981 by Lebhar-Friedman Inc. All rights reserved.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 99 Park Ave., New York, N.Y. 10016.

For change of address, six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

California Milk regional insert—Pp. 22a-22b

Vol. 15, No. 24 November 23, 1981